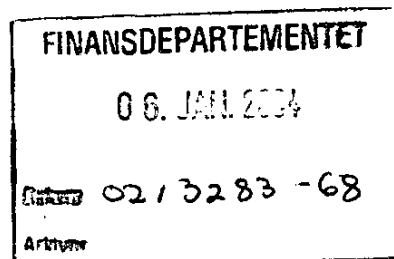
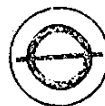




DET KONGELIGE
HELSEDEPARTEMENTET

Finansdepartementet
Postboks 8008 Dep
0030 OSLO



Deres ref
2003/3283 Ø EAL00443

Vår ref
03/03878 ELU

Dato
23.12.2003

HØRING – NOU 2003:22 FORVALTNING FOR FREMTIDEN

Vi viser til Finansdepartementets ekspedisjon av 24. september 2003.

Helsedepartementet har følgende merknader til utredningen i forhold til tobakksprodukter og tobakksindustrien:

Vi viser også til vedlagte uttalelse i brev av 28. november 2003 fra Sosial- og helsedirektoratet. Vi slutter oss til direktoratets uttalelser. Nedenfor følger ytterligere kommentarer til utredningen fra Helsedepartementet.

Etiske retningslinjer for Statens petroleumsfond er en meget viktig og prinsipiell sak. Helsedepartementet ser positivt på at det er foretatt en utredning av dette spørsmålet.

Utredningen fremsetter forslag til flere mulige virkemidler for å fremme det etiske grunnlaget for Petroleumsfondet:

1. Eierskapsutøvelse
2. Negativ filtrering
3. Uttrekk av selskaper

Utvalget skiller mellom utelukkelse av "uetiske" produkter eller produksjonsprosesser og utelukkelse av selskaper på grunn av uetisk atferd eller opptreden.

Utvalget definerer negativ filtrering slik at det legges ut filtre for å identifisere aktuelle selskaper og utelukker disse fra investeringsuniverset. Hensikten er å ta ut selskaper fra en investeringsportefølje på grunnlag av nærmere definerte kriterier.

Postadresse
Postboks 8011 Dep
0030 Oslo

Kontoradresse
Einar Gerhardsens
plass 3

Telefon
22 24 90 90* / 22 24 84 58
Org. nr.
972 417 912

Administrasjonsavdelingen Saksbehandler
n Elsa Lien Utstumo
Telefaks 22 24 84 43
22 24 95 77

Utvalget foreslår at selskaper som er involvert i grove brudd på grunnleggende etiske normer, kan bli utelukket fra Petroleumsfondet etter en konkret vurdering. Utvalget foreslår videre at dette kan gjøres gjennom å videreutvikle dagens uttrekksmekanisme. Formålet med uttrekksmekanisme er det samme som for negativ filtrering, å utelukke selskaper som er medansvarlig for så uetiske forhold at det er uakseptabelt for Petroleumsfondet å medvirke til slik virksomhet.

Tobakksprodukter og tobakksindustrien er omtalt i utredningen i forholdt til negativ filtrering og uttrekk. Helsedepartementets kommentarer retter seg mot disse to formene for virkemidler.

1. NEGATIV FILTRERING

Bruk av tobakk fører i dag til noen av de største helseproblemene i verden som kan forebygges. For få år siden beregnet Verdens helseorganisasjon (WHO) at tobakk dreper ca 4 millioner av verdens befolkning hvert år. WHO har nylig revidert sine tall, og regner i dag med at tobakk tar 4,9 millioner liv i året. Dette medfører i følge WHO at prognosene om at 10 millioner vil dø av tobakk i år 2030 antakelig er alt for lave.

Tobakk er det eneste lovlige produktet i dag som tar livet av hver andre faste bruker, ved bruk som forutsatt av produsenten. I tillegg kommer skadevirkningene for de som eksponert for tobakksrøyken gjennom andres bruk (passiv røyking). Samlet antas det at tobakk tar livet av ca 8000 mennesker i Norge hvert år. I tillegg fører tobakksrelaterte lidelser til en lang rekke ikke-dødelige lidelser som reduserer den enkeltes livskvalitet.

Tobakk er i tillegg svært avhengighetsskapende, og de fleste som røyker har store problemer med å slutte. Videre vet vi at ungdom er spesielt utsatte. Unge mennesker blir raskere avhengig. Dernest er risikoen for alvorlige helseskader ved røyking større jo tidligere en person begynner å røyke. Tidlig røykestart reduserer lungenes funksjonsnivå. En person som starter sin røyking når han er under 15 år, har eksempelvis dobbelt så stor risiko for å utvikle lungekreft som en person som begynner i en alder av 20 til 24 år.

Disse kjensgjerningene har medført at bruk av tobakk som produkt har en svært spesiell stilling i dagens samfunn. Selv om det i utgangspunktet er et lovlig produkt, er og bør det være underlagt særlige restriksjoner. Helsedepartementet mener imidlertid at det er vanskelig å karakterisere tobakksvarer som uetiske produkter ettersom de er lovlige i Norge, men uten tvil som helseskadelige og avhengighetsskapende produkter.

2. UTTREKK AV SELSKAPER

Når det gjelder uttrekk av selskaper på bakgrunn av uetisk opptreden, er ikke Helsedepartementet enig i utvalgets vurdering.

Helsedepartementet mener at det i enkelte tilfeller er lite praktisk å skulle vurdere enkelt-selskaper opp mot en norm for uetisk opptreden. Departementet mener imidlertid at grupper av selskaper må kunne trekkes ut, for eksempel slik at man trekker ut hele tobakksindustrien fra investeringsporteføljen.

Helsedepartementet mener at Petroleumsfondet ikke bør investere i internasjonal tobakksindustri ut fra et etisk ståsted. Det vises til vedlagte uttalelse fra Sosial- og helsedirektoratet for en utdyping av bakgrunnen for dette.

3. AVSLUTTENDE BEMERKNINGER


Det er internasjonal konsensus om sammenhengen mellom tobakksbruk og ulike helseskadelige og dødelige sykdomstilstander. Det samme gjelder avhengighet. Tobakksvarer er derfor underlagt en rekke restriksjoner i forhold til salg, markedsføring og produktutvikling. WHOs rammekonvensjon og nasjonale retningslinjer og lovgivning er utformet med tanke på å begrense omfanget av helseskader og å unngå at unge begynner å røyke og dermed påfører seg et avhengighetsproblem.

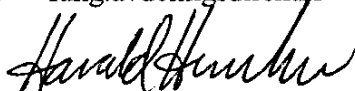
Det må kunne fremføres at følgende aspekter ved tobakksindustriens virksomhet er uetisk:

- markedsføring av et skadelig og dødelig produkt
- produktutviklingen
- aktiv motarbeidelse av myndigheters forsøk på å begrense skadeomfanget

Helsedepartementet mener ut fra den dokumentasjon som det er redegjort for, at hele tobakksindustrien må trekkes ut av investeringsporteføljen til Statens petroleumsfond av etiske grunner.

Med hilsen


Jon Georg Lund e.f.
fung. avdelingsdirektør




E. Lien Utstumo
førstekonsulent

Helsedepartementet
Postboks 8011 Dep
0030 Oslo

Helsedepartementet	
Saksnr.: 03/03878	Dir.nr.: 3
Arkivkode: 008	Journ. dato: 7/12.03
Avd.: FHA FOS	Saksbeh.: NF
U.off.:	

Deres ref: 03/03878
Saksbehandler: scn
Vår ref: 03/4984
Arkivkode:
Dato: 28.11.2003

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18.12.03
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Høring – NOU 2003:22 Forvaltning for fremtiden

Det vises til brev fra Helsedepartementet av 3. november 2003 der Sosial- og helsedirektoratet (Shdir) bes om synspunkter vedrørende ovennevnte. Helsedepartementet ber særlig om innspill til punktene som gjelder tobakksvarer og tobakksindustrien.

Konklusjon

Shdir mener at det er grunnlag for å anbefale at man anvender negativ filtrering mot produkter eller produksjonsprosesser som i særlig grad har *sosiale og helsemessige skadevirkninger*.

Slik filtrering bør forankres i et bredt politisk konsensus, slik det kommer til uttrykk i internasjonale konvensjoner og forpliktelser som Norge har påtatt seg.

Negativ filtrering bør ramme tobakk. Dette begrunnes med de store helsemessige skadene av tobakk og Norges internasjonale engasjement for å begrense bruken av tobakk, slik det kommer til uttrykk i WHO's Framework Convention on Tobacco Control.

Shdir støtter videre bruken av uttrekk i forhold til selskaper der fortsatt eierskap medfører uakseptabel risiko for medvirkning til brudd på grunnleggende etiske normer.

1. Etisk ansvar

Utvalget påpeker at det å ha eierandeler i et selskap innebærer etisk medvirkning til selskapets produksjon. En plikt til ikke å medvirke til fremstilling av visse produkter, innebærer en plikt til ikke å ha investeringer.

Utvalget sier videre at det ikke er like klart at eierne har ansvar for selskapets handlinger og atferd. For at et slikt ansvar skal foreligge, må det være mulig for investoren å forutse handlingen, dvs. at det må være en slags systematikk eller årsakssammenheng mellom selskapets virksomhet og handlinger. Etter vår vurdering vil selskapets tidligere praksis og strategi for fremtiden gi viktig informasjon om hvilken etisk risiko en eventuell investering medfører.

Dersom enkelte produkter anses som etisk uakseptable, bør man ikke investere i selskaper som fremstiller dem. Det er urimelig å investere i et selskap for å påvirke selskapet til å slutte med en del av dets produktspekter. Slike investeringer skjer med forventning om avkastning gjennom fortsatt vekst i selskaper som fremstiller etisk uakseptable produkter. Shdir støtter derfor utvalgets konklusjon om at slike selskaper i stedet bør utelukkes med negative filtre.

Shdir støtter også bruk av uttrekk i forhold til selskaper som innebærer stor etisk risiko. Vi vil fremheve at produkter med stort potensial for sosiale og helsemessige skader fordrer særlig aktsomhet.

Sosial- og helsedirektoratet • Forebyggingsdivisjonen
Avdeling tobakk

Postadr: Pb 8054 Dep. 0031 Oslo • Besøksadr: Universitetsgaten 2, Oslo • Tel: 24 16 30 00
Faks: 24 16 30 01 • Org.nr.: 983 544 622 • postmottak@shdir.no • www.tobakk.no

2. Bruk av virkemidler

NOU 2003:22 viser til tre ulike virkemidler for etisk forvaltning av petroleumsfondet.

1. Eierskapsutøvelse
2. Negativ filtrering
3. Uttrekk

Shdir legger til grunn at Petroleumsfondet generelt vil utøve eierskap for å påvirke selskaper til å overholde grunnleggende etiske normer og internasjonale konvensjoner. Det påpekes i utredningen at dette vil være i samsvar med fondets langsiktige finansielle interesser. I det øvrige vil vi derfor konsentrere oss om negativ filtrering og uttrekk.

Utvalget skiller mellom uetiske produkter og uetisk atferd. Negativ filtrering brukes i forhold til produkter eller bransjer som det ikke vil ha noen hensikt å forsøke å påvirke, og som er så uetiske at man ikke vil medvirke til virksomheten.

Selskapene kan isolert sett utøve samfunnsansvar og opptre i overensstemmelse med etiske normer. Dette vil imidlertid være av underordnet betydning fordi det er produktene og/eller produksjonsprosessene som i seg selv er uakseptable. Det er altså produktene som er fokus for negativ filtrering.

Etter utvalgets vurdering vil negativ filtrering være uegnet i forhold til firmaer som opptrer uetisk. Dette skyldes blant annet praktiske problemer med å avdekke normbrudd, uklare ansvarsforhold og at selskapers atferd endrer seg over tid. I tilfeller der selskaper er involvert i grove brudd på grunnleggende etiske normer foreslår utvalget i stedet å anvende uttrekk. Dette er et virkemiddel som brukes for å unngå at fondet medvirker til uetiske handlinger i fremtiden.

Vurderinger om uttrekk skal ikke være en straffereaksjon mot tidligere overtramp, men bygge på vurderinger av selskapets strategi og praksis fremover i tid. Uttrekk må derfor avgjøres på grunnlag av hvilken etisk risiko fortsatte investeringer medfører.

Beslutning om uttrekk vil kunne treffes uavhengig av produktene selskapene fremstiller, men vi ønsker å påpeke at produkter med stort potensial for sosiale og helsemessige skader fordrer særlig aktsomhet.

3. Negativ filtrering av alkohol?

Alkohol medfører omfattende sosiale og helsemessige skader. WHO har anslått at alkohol er skyld i 4% av den globale sykdomsbyrden (regnet i DALYs). Til sammenligning står tobakk for 4,1%.

De omfattende sosiale og helsemessige skadevirkningene og avhengighetspotensialet gjør alkohol til et etisk problematisk produkt. Det er derfor grunn til å spørre om Petroleumsfondet skal investere i selskaper som produserer alkohol.

Utvalget understreker at negativ filtrering er et eieransvar, og at avgjørelsen om filtrering må forankres i folkevalgte organer. Det understrekes også at Petroleumsfondets etikk må ha en demokratisk forankring som nyter legitimitet i befolkningen. Utvalget foreslår at kriteriene for etisk filtrering bør baseres på produkter som norske myndigheter arbeider aktivt for å begrense eller forby internasjonalt. For å sikre legitimitet og konsensus anbefaler utvalget at de etiske retningslinjene forankres i etiske prinsipper slik de er nedfelt i internasjonale konvensjoner.

Norske myndigheter har ført en restriktiv politikk for å redusere alkoholkonsumet. Vi har et omfattende lovverk for vern mot alkoholskader som omfatter reklameforbud, bevillingsordninger, statlig vin- og brennevinsmonopol, restriksjoner på salgs- og åpningstider,

aldersgrenser og promillelovgivning. I tillegg er alkoholholdige produkter underlagt høye avgifter, og staten har satset betydelige midler på forebygging og opplysningskampanjer mot alkohol.

Norge har dessuten engasjert seg internasjonalt for å begrense totalkonsumet av alkohol, blant annet gjennom WHO's Alcohol Action Plan og WHO's Declaration on Young People and Alcohol.

For å ivareta hensynet til legitimitet og etisk forankring bør det foreligge en internasjonal konvensjon på alkoholfeltet som kan danne grunnlag for negativ filtrering. I fravær av en slik konvensjon er ikke kravet til forankring ivarettatt.

Dette er imidlertid ikke til hinder for uttrekk av selskaper som produserer alkohol dersom de bryter grunnleggende etiske normer for eksempel gjennom utilbørlig markedsføring eller langsiktige strategier som medfører stor risiko for omfattende sosiale og helsemessige skader i sårbare grupper eller markeder.

4. Negativ filtrering av tobakk

Shdir mener at det er grunnlag for å anbefale at man anvender negativ filtrering mot produkter eller produksjonsprosesser som i særlig grad har *sosiale og helsemessige skadevirkninger*.

Dette begrunnes med de store helsemessige skadene av tobakk og Norges internasjonale engasjement for å begrense bruken av tobakk, slik det kommer til uttrykk i WHO's Framework Convention on Tobacco Control.

4.1 Betydningen av WHO's rammekonvensjon

Tobakksbruk er den største, forebyggbare dødsårsaken i verden i dag. 4,9 millioner mennesker dør årlig pga tobakksbruk, og prognosene tilsier en kraftig økning i årene som kommer. Dette var grunnlaget for at det gjennom WHO ble tatt initiativ til en global avtale viet tobakkskontroll og -forebygging. Etter fire år med forhandlinger ble rammekonvensjonen om forebygging av tobakkskader (Framework Convention on Tobacco Control, FCTC) enstemmig vedtatt av WHO's 192 medlemsland i WHO's Helseforsamling i mai 2003. Norge jobbet hele tiden for en sterk konvensjonstekst med klare føringer og forpliktelser.

Det kreves at 40 land ratifiserer konvensjonen før den trer i kraft. Pr. 17. november har 77 land signert konvensjonen, og dermed markert politisk støtte og en intensjon om å ratifisere. 5 land har ratifisert, blant dem Norge.

Konvensjonen tar sikte på å kontrollere tobakksproduksjon, -omsetning og -forbruk. Landene forplikter seg til å implementere omfattende reguleringer og strategier for å redusere tobakksbruk. Dette kan skje gjennom avgifter, helsefaremerking, forbud mot eller strenge restriksjoner på reklame, beskyttelse mot passiv røyking, produktregulering og forbud mot salg av tobakk til mindreårige. Videre oppfordres landene til å bruke lovverket for å stille tobakksindustrien til ansvar for kostnader knyttet til tobakksbruk, samt sørge for finansiering av nasjonale programmer for forebygging, røykeslutt og informasjon. De internasjonale forpliktelsene omfatter teknisk, vitenskapelig og juridisk samarbeid, samt samarbeid om tiltak for å begrense eller bekjempe smugling.

Konvensjonen ventes å bli et av de viktigste verktøyene innenfor internasjonal tobakksforebygging i mange år framover. Tidligere generaldirektør i WHO, Gro Harlem Brundtland, kalte vedtaket et historisk øyeblikk for den globale folkehelsen. Prosessen som startet i 1999 har i seg selv vært med på å sette søkelyset på tobakksforebygging i alle landene som har deltatt, og ikke minst framhevet viktigheten av internasjonalt samarbeid på området.

4.2 Argumenter for negativ filtrering

Tobakk og helseskader

Bruk av tobakk fører i dag til noen av de største helseproblemene i verden som kan forebygges. For få år siden beregnet Verdens helseorganisasjon (WHO) at tobakk dreper ca. 4 millioner av verdens befolkning hvert år. WHO har nylig revidert sine tall, og regner i dag med at tobakk tar 4,9 millioner liv i året. Dette medfører i følge WHO at prognosene om at 10 millioner vil dø av tobakk i år 2030 antakelig er alt for lave.

Tobakk er det eneste lovlige produktet i dag som tar livet av hver andre faste bruker, ved bruk som forutsatt av produsenten. I tillegg tar produktet hvert år livet av ca. 350-550 mennesker som blir eksponert for tobakksrøyken gjennom andres bruk. Samlet antas det at tobakk tar livet av ca. 8000 mennesker i Norge hvert år. I tillegg fører tobakksrelaterte lidelser til en lang rekke ikke-dødelige lidelser som reduserer den enkeltes livskvalitet. Disse kjensgjerningene har medført at tobakk som produkt har en svært spesiell stilling i dagens samfunn. Selv om det i utgangspunktet er et lovlig produkt, er og bør det være underlagt særlige restriksjoner.

Tobakk er i tillegg svært avhengighetsskapende, og de fleste som røyker har store problemer med å slutte. Videre vet vi at ungdom er spesielt utsatt. Unge mennesker blir raskere avhengig. Dermed er risikoen for alvorlige helseskader ved røyking større jo tidligere en person begynner å røyke. Tidlig røykestart reduserer lungenes funksjonsnivå. En person som starter sin røyking når han er under 15 år har eksempelvis dobbelt så stor risiko for å utvikle lungekreft som en person som begynner i en alder av 20-24 år.

5. Uttrekk av tobakk – eksempler på uetisk opptreden

Shdir støtter videre bruken av uttrekk i forhold til selskaper der fortsatt eierskap medfører uakseptabel risiko for medvirkning til brudd på grunnleggende etiske normer.

I NOU 2003: 22 blir det framført at man kan vurdere uttrekk bare der det foreligger:

- Grove eller systematiske krenkelser av menneskerettighetene som for eksempel drap, tortur, frihetsberøvelse, tvangsarbeid, de verste former for barnarbeid og annen utbytting av barn
- Alvorlige krenkelser av individers rettigheter i krig eller konfliktsituasjoner
- Alvorlig miljøskade
- Grov korrupsjon
- Andre særlige grove brudd på grunnleggende etiske normer

Punktet "særlig grove brudd på grunnleggende etiske normer" bør ramme selskaper som driver utilbørlig markedsføring av helseskadelige produkter, motarbeider offentlige myndigheters arbeid for å begrense sosiale og helsemessige skader av produkter, undergraver eller feiltolker vitenskapelige funn for å forhindre restriksjoner på omsetning av produkter med sosiale og helsemessige skadevirkninger, driver produktutvikling av helseskadelige produkter rettet mot ungdom, sårbare markeder eller spesielt utsatte grupper. Dette er områder tobakkselskapene rammes.

Dette begrunnes i det følgende. Direktoratet fremhever at dokumentasjon om tobakksindustrien og tobakksvarer er svært omfattende. Dette gjelder særlig den informasjonen som er fremkommet gjennom frigitte, tidligere interne dokumenter fra den globale tobakksindustrien. Dette notatet tar derfor sikte på å sammenfatte noe av den dokumentasjonen som er særlig relevant for denne problemstillingen. Dokumentasjonen bygger i første rekke på rapporter som er utarbeidet på bakgrunn av nevnte dokumenter fra tobakksindustrien. Dette er i første rekke rapporter utarbeidet av Verdens Helseorganisasjon som under den 54. Helseforsamlingen i 2001 vedtok resolusjon WHA 54.18 om "Transparency in tobacco control process". Denne resolusjonen bestemmer at organisasjonen forplikter seg til å fremskaffe og offentliggjøre informasjon om tobakksindustriens aktiviteter globalt og regionalt. Flere sentrale rapporter følger som vedlegg til notatet.

Det må videre kunne hevdes at utstrakt bruk av barnearbeidere i tobakksproduksjon innebærer et brudd på OECDs retningslinjer for flernasjonale selskaper, samt på ILOs trepartserklæring for multinasjonale selskaper.

5.1 En ny PR-strategi

De siste årene har flere tobakks-selskaper brukt ressurser på ulike PR framstøt for å vise at det har skjedd store forandringer i bransjen¹. Underteksten er at fordi bransjen nå har endret seg, bør den ikke dømmes for tidligere aktiviteter. Det er derfor grunn til å undersøke hvorvidt bransjen har endret seg.

Dokumentasjonen i det følgende viser at selskapene ikke har endret seg på vesentlige punkter, og kan følgelig ikke viske ut flere årtier med bevisst villedning ved hjelp av en ny PR-strategi. Det er ingen grunn til å anerkjenne bransjen når den nå godtar grunnleggende fakta om røyking og helse – som at røyking forårsaker kreft – når dette har vært fastslått i legitim forskningslitteratur i 40 år. Selv i dag finnes det fortsatt noen tobakks-selskaper som benekter dette.

Bransjen bør heller ikke anerkjennes for innrømmelsen av at nikotin er avhengighetsskapende, når den samtidig hevder at stoffet er avhengighetsskapende på samme måte som nettsurfing eller shopping kan være. Tobakksindustriens utforming av anti-røykekampanjer rettet mot barn og unge, er utviklet med hensikt å få røyking til å virke mer voksent, og følgelig enda mer attraktivt for unge mennesker.

Etter å ha vurdert de påståtte holdningsendringene hos Philip Morris, BAT, Japan Tobacco, Imperial Tobacco og Gallaher i 2000, oppsummerte helsekomiteen i det britiske underhuset den angivelige forandringen slik:

"It seems to us that the companies have sought to undermine the scientific consensus until such time as that position appears ridiculous. So the companies now generally accept that smoking is dangerous (but put forward distracting arguments to suggest that epidemiology is not an exact science, so that the figures for those killed by tobacco may be exaggerated); are equivocal about nicotine's addictiveness; and are still attempting to undermine the argument that passive smoking is dangerous." [1] [View report](#)²

5.2 WHO og tobakksindustrien

Resultater fra granskningsrapporten

Tobakksindustriens taktikker overfor WHO ble nylig avdekket i en rapport³ fra organisasjonen. Hovedfunn i rapporten:

- Tiltak for å vende oppmerksomheten bort fra arrangementer og tiltak i regi av WHO
- Forsøk på å redusere vitenskapelig budsjetter for WHO-prosjekter
- Splitte FN-organisasjoner i tobakks-spørsmål
- Forsøk på å overtale u-land til å stemme mot WHO's tobakks-prosjekter
- Tobakksindustrien har mistolket og fordreid vitenskapelig funn fra WHO-institusjoner
- Diskreditering av WHO som institusjon

¹ Et eksempel:

http://www.bat.com/oneweb/sites/uk_3mrfen.nsf/vwPagesWebLive/DO5PJZB?opendocument&DTC=20031118&TMP=1

Se også rapport fra WHO : <http://www.who.int/tobacco/media/en/tob-ind-monitoring02.pdf>

² House of Commons (UK) Health Select Committee, Second Report Session 1999-2000. *The Tobacco Industry and the Health Risks of Smoking*. The Stationery Office, June 2000, para 54.

³ http://www.who.int/tobacco/media/en/who_inquiry.pdf

The Boca Raton Action Plan

Dette var en strategiplan i regi av Philip Morris laget for å angripe WHO i forhold til prioriteringer på regionalplan. Den inneholdt også kritikk av strukturen og planlegging innad i WHO. Planen ble igangsatt av Geoffrey Bible, den gang president i Philip Morris International (nå director i Philip Morris Companies, Inc.) på et møte i Boca Raton, Florida.

Strategier i U-land

Industrien argumenterte for at forebyggende tobakksarbeid i regi av WHO kun var tilpasset arbeid i industrialiserte land, og vil derfor gå utover u-land både økonomisk og sosialt. Det ble hevdet at kostnadene ved å implementere tilsvarende strategier i U-land vil overgå den helsegevinsten de eventuelt ville medføre. Tobakksindustriens aktiviteter omfatter intens lobbyvirksomhet av FN delegater i ulike u-land, og det ble brukt stråselskaper for å målbære dette budskapet, som f.eks. International Tobacco Growers Association (ITGA).

"Uavhengig" kritikk av WHO

Industrien har brukt "uavhengige" akademiske institusjoner, konsulenter og journalister for å undergrave WHO's integritet og vende oppmerksomheten fra tobakk til andre helse spørsmål. Personene og institusjonene er betalt av tobakksindustrien.

Verdenskonferanse om Tobakk og Helse

British American Tobacco (BAT) og Philip Morris initierte en kampanje for å undergrave Verdenskonferansen om tobakk i 1992.

WHO's tilsva

Som en reaksjon på tobakksindustriens metoder vedtok WHO's helseforsamling resolusjon 54.18, der det fremgår at WHO skal framskaffe og offentliggjøre informasjon om tobakksindustrien som dokumenterer at industrien motvirker medlemslandenes tobakksforebyggende tiltak ("Transparency in tobacco control process", se over).

Tobacco Control Monitoring report⁴ er et resultat av denne resolusjonen. Den tar sikte på å avdekke ulike forhold ved tobakksindustriens forretningsvirksomhet. Det slås blant annet fast at Verdensbanken har avdekket at sigarettsmugling står for 6-8.5% av det totale sigarettkonsumet, og at tobakksindustrien er aktivt involvert i smuglervirksomheten. Dette gjøres delvis for å øke markedsandeler, og delvis for å unnsnippe nasjonale skatter og avgifter. Andre rapporter⁵ støtter dette. British American Tobacco (BAT) har vært involvert i storstilt smuglervirksomhet i Asia, Afrika og Latin Amerika over lengre tid. Tobakksindustriens medvirkning til smugling er videre detaljert gjengitt i en annen regional rapport fra WHO⁶ - "Illicit Tobacco Trade in the Middle East". Her fremgår det blant annet at tidligere interne dokumenter fra tobakksindustrien inneholder detaljerte beskrivelser av tobakkssmugling i Libanon og Syria.

En annen WHO rapport "Tobacco Industry and corporate responsibility...an inherent contradiction"⁷ fremhever ulike sider av tobakksindustriens aktiviteter. Rapporten finner at industriens forebyggende ungdomskampanjer ofte er utformet for indirekte å rekruttere ungdom. Den framhever videre at ved å fokusere på ungdomsforebygging, gir tobakksindustrien inntrykk av at de selv løser de problemene industrien er med på å skape. I virkeligheten, vil slike grep ta fokus bort fra tobakksforebyggende tiltak med dokumentert effekt, slik som høyere tobakksavgifter.

⁴ <http://www.who.int/tobacco/media/en/tob-ind-monitoring02.pdf>

⁵ <http://www.ash.org.uk/?conduct> , se ASH/Smuggling/BAT and tobacco smuggling

⁶ <http://www.emro.who.int/tfi/TFIIranIraq.pdf>

⁷ <http://www.who.int/tobacco/media/en/tob-industry.pdf>

5.3 EU og tobakksindustrien

EU kommisjonen samt ti medlemsland har saksøkt flere multinasjonale tobakkselskaper på grunn av deres beskjeftigelse med smugling av tobakksvarer.

Det uttales følgende om grunnlaget for saksanlegget:

"The European Community and ten member states joined together to commence this civil action to combat, deter and remedy an ongoing global scheme to smuggle cigarettes, launder the proceeds of narcotic trafficking, obstruct government oversight of the tobacco industry, fix prices, bribe foreign public officials, and conduct illegal trade with terrorist groups, and state sponsors of terrorism. Similarly the [Columbian] departments, have commenced this action to address and remedy cigarette smuggling that fuels narcotics trafficking and money laundering on a massive scale- a scheme that supports and finances foreign terrorist activity."⁸

5.4 Tobakksindustriens uttalelser om helseskader med mer

Før og nå

Etter hvert som kritikken av tobakksindustrien har tiltatt, har industrien forsvart seg med at de nå er ansvarlige bedrifter som gir fullstendig informasjon om sine produkter. Som alle virksomheter bruker de multinasjonale tobakkselskapene betydelige summer på veldedighet og andre aktiviteter for å understreke sosial ansvarlighet (corporate social responsibility). Phillip Morris gjennomfører for tiden en global massemediekampanje hvor de understreker transformasjonen til et ansvarlig selskap.

Multinational Monitor⁹ plasserte i år 2000 BAT blant de ti verste multinasjonale selskapene. Bakgrunnen for denne utmerkelsen er blant annet at det har blitt påvist at selskapet i flere tiår har organisert en global smuglervirksomhet.

En rapport fra 2002¹⁰ viser at industrien fortsetter i samme spor som tidligere. Materialet er uttalelser i en rettslig høring (initiert av Justisdepartementet i USA) fra selskapene Phillip Morris, R J Reynolds, British American tobacco (BAT), Lorillard og Brown & Williamson. Den konkluderer med at til tross for forsøk på å framstille seg som nye og ansvarlige selskaper, fortsetter de største tobakksprodusentene å benekte sannheten. De benekter vitenskapelig konsensus i forhold til helseskadene som røyking forårsaker, at passiv røyking fører til helseskader og at nikotin er avhengighetsskapende. I tillegg har Philip Morris, R.J Reynolds og BAT ikke akseptert bevis for sine aktiviteter i forhold til kontroll med nikotininnholdet i tobakk, markedsføring mot barn og ødeleggelse av dokumenter.

I rapporten framkommer det blant annet at:

Fire av fem tobaksselskaper fortsatt stiller spørsmål ved sammenhengen mellom røyking og ulike diagnoser

At røyking øker risikoen for lungekreft, hjerte- og karsykdommer, emfysem og andre sykdommer er universelt akseptert av både medisinske og vitenskapelige eksperter. Likevel godtar fire av fem selskaper bare delvis disse fakta. De sier nå at røyking ... "may contribute to causing... diseases in some individuals."

⁸ <http://www.ash.org.uk/?conduct> , se under "Racketeering legal action (RICO) against tobacco companies for smuggling"

⁹ <http://multinationalmonitor.org/mm2000/00december/enemies.html>

¹⁰ Tobacco Industry Statements in the Department of Justice Lawsuit, Prepared for Rep. Henry A. Waxman, Minority Staff Report, Special Investigations Division, Committee on Government Reform

U.S. House of Representatives, Sept 17, 2002. URL: http://www.house.gov/reform/min/inves_tobacco/index_doj.htm

Skandinavisk Tobakscompagni skriver i 2003:

"Men det er ikke alle, der bliver syge af at ryge; nogle gør, andre gør ikke. Videnskaben har endnu ikke givet os et endeligt svar på, hvorfor det er sådan"¹¹.

Fem av fem tobakksselskaper avviser at passiv røyking forårsaker sykdom hos ikke-røykere.
U.S Surgon General, WHO og the American Medical Association har slått fast at passiv røyking er helseskadelig. Til tross for dette har alle fem tobakksselskapene indikert at de er uenige i dette. WHO har påvist at tobakksindustrien aktivt har forsøkt å så tvil om IARC's (Det internasjonale kreftforskningsinstituttet) konklusjoner om passiv røyking.

Fire av fem vil ikke innrømme at nikotin er avhengighetsskapende
Medisinske og vitenskapelige autoriteter er klare på at nikotin er avhengighets-skapende. Dette er ikke alle tobakksselskaper enige i. De mener den tilgjengelige informasjonen er utilstrekkelig, og sammenlikner nikotinvhengighet med internettbruk og shopping. Skandinavisk tobakscompagni skriver i 2003:

"Vi ved, at mange finder det svært at holde op med at ryge. Nogle vil bruge udtrykket, at de bliver afhængige af rygning. Vi mener, alle kan holde op med at ryge"²

Andre forhold

Rapporten viser også at noen tobakksselskaper fortsatt ikke innrømmer veldokumenterte bedriftsaktiviteter. Til tross for dokumentasjonen i interne dokumenter fortsetter Phillip Morris å benekte at de kan kontrollere nikotinnivået i sigaretter. Tidligere forskningsdirektør ved Philip Morris, William Farone har uttalt:

The industry employs two principal means of controlling the nicotine levels: 1. By modification and control of the tobacco blend, i.e., the ratio of Burley (air cured), Bright (flue cured), Oriental, stems, expanded tobacco products, and reprocessed tobacco products such as tobacco sheet made from stems and waste leaf. 2. By modification of the construction of the cigarette such as filter type, the type of filter material used, the number and placement of ventilation holes, the density composition and porosity of the cigarette paper, the length and diameter of the paper[,] and the types and amounts of flavor additives".¹²

En tidligere Associate Senior Scientist ved Philip Morris, Ian L. Uydess, Ph.D., bekreftet at Philip Morris brukte denne typen teknologi:

"In the case of nicotine, specific levels of nicotine would be targeted in the test products (test 'articles') in a range that extended from 'ultra-low' (or even zero) nicotine deliveries, to deliveries equal to, or slightly above that found in some of their own (or a competitor's) 'full-flavor' or 'full-bodied' products. This was done to examine how the smoker would react to various nicotine levels as a predictor of how well these products might do in the market".¹³

Andre eksempler fra rapporten

I juni 2002 avdekket en domstol i California at R.J Reynolds har markedsført sigaretter mot barn i magasinreklamer, og gav selskapet en bot på 20 millioner dollar.

¹¹ www.prince.dk , 20. oktober 2003

¹² William Farone, *The Manipulation and Control of Nicotine and Tar in the Design and Manufacture of Cigarettes: A Scientific Perspective* (Mar. 8, 1996) (online at <http://www.courttv.com/legaldocs/business/tobacco/statements.html>).

¹³ Declaration of Ian L. Uydess (Feb. 29, 1996) (online at <http://www.courttv.com/legaldocs/business/tobacco/statements.html>).

5.5 Særlig om kjennskap til avhengighet

I en amerikansk kongresshøring i 1994 sverget direktørene i de syv største amerikanske tobakksselskapene, at nikotin ikke var avhengighetsskapende¹⁴. Industriens interne dokumenter viser derimot at selskapene har visst om avhengigheten siden midten av sekstitallet¹⁵.

"Moreover nicotine is addictive. We are, then, in the business of selling nicotine, an addictive drug."¹⁶

I uavhengige internasjonale forskningsmiljøer er det bred enighet om at nikotin er et av de mest avhengighetsskapende stoffene som finnes¹⁷. Industrien har vært kjent med nikotins avgjørende betydning for forbruket siden 60-tallet. Offentlig stiller de fortsatt spørsmålsteget ved avhengigheten – i rettssaker, i intervjuer og på sine egne offisielle web-sider¹⁸.

"Vi ved, at mange finder det svært at holde op med at ryge. Nogle vil bruge udtrykket, at de bliver afhængige af rygning. Vi mener, alle kan holde op med at ryge. Millioner af mennesker verden over holder hvert år op med at ryge, alene fordi de beslutter sig for at gøre det og sætter viljestyrke bag beslutningen."¹⁹

I den grad de innrømmer at nikotin er avhengighetsskapende, peker de på at dette også gjelder moderne fenomen som internett, shopping og søtsaker:

"If they are behaviourally addictive or habitforming, they are much more like caffeine, or in my case GummyBears. I love Gummy Bears ...and I want gummy bears and I eat Gummy Bears and I don't like it when I don't eat my Gummy Bears, but I'm certainly not addicted to them."²⁰

Nikotinnivået i tobakksvarer er ikke tilfeldig valgt. For mye nikotin gir en harsk smak som gjør det vanskelig for nybegynnere å venne seg til å røyke. For lite nikotin gjør at færre blir avhengige. Industrien har derfor manipulert nikotinnivået i sigarettene for å finne et optimalt nivå. Industrien benekter at de manipulerer nikotinnivået. I de interne dokumentene kommer det tydelig fram at man under produksjonen kan bestemme nikotinnivået med industriell presisjon:

"Certainly, the nicotine level of B&W cigarettes (...) was not obtained by accident (...) we can regulate, fairly precisely, the optimum level of nicotine and sugar levels to almost any desired level management might require (...)."²¹

5.6 Særlig om Phillip Morris og passiv røyking

Dokumenter²² som er funnet viser at Philip Morris International (PMI) har funnet på og satt i gang kontroverser om passiv røyking blant annet ved betalt forskning og ved å infiltrere troverdige forskningsmiljøer og politiske institusjoner.

Et dokument er fra et møte i 1988 der PMI presenterer en strategi for å rekruttere forskere for å motsi vitenskapelig bevis om passiv røyking. Hensikten er: "to keep the controversy alive". Dokumentet viser også hvordan strategien ble gjennomført.

¹⁴ <http://www.jeffreywigand.com/insider/7ceos.html> (utskrift av rettsprotokollen, samt videooptak)

¹⁵ <http://tobaccofreedom.org/issues/documents/landman/addictive/index.html>

¹⁶ A. Yeaman, Implications of Battelle Hippo 1 & 11 and the Griffith Filter, 1963.

¹⁷ Nicotine Addiction in Britain, A report of the Tobacco Advisory Group of the Royal College of Physicians. 2000

¹⁸ www.brownandwilliamson.com og <http://www.prince.dk/sw309.asp>

¹⁹ <http://www.prince.dk/sw309.asp>, 2003

²⁰ James Morgan, President i Philip Morris' US tobacco division, 1997

²¹ B. Griffith, Letter to John Kirwan, B.A.T., 1963

²² <http://www.ash.org.uk/?conduct> se Industry conduct/ Philip Morris and passive smoking

Et annet dokument viser PMIs generelle strategi om passiv røyking. Dette viser hvor mye ressurser selskapet har brukt på dette emnet, se særlig kapitlene om informasjon og juridiske grep som ble planlagt.

Et tredje dokument omtaler "Whitecoat" prosjektet som omhandlet rekruttering av leger og forskere som skulle betales for å så tvil om røyking og helseskader.

Et fjerde dokument omtaler rekruttering av sannhetsvitner om PMIs syn på tobakk og helseskader, det såkalte "Witness development programme".

Et femte dokument viser resultatene av "Whitecoat" prosjektet:

- Betalte eksperter har vært spesialrådgivere overfor komiteer i det engelske parlamentet.
- The Lancet har blitt infiltrert
- IARC har blitt infiltrert
- Etablering av et spesialprosjekt for å samle "ekspertise" om inneklime
- Helsemyndigheter i midt-østen har engasjert spesialister fra tobakksindustrien som rådgivere
- Forskning om andre faktorer enn passiv røyking som årsaksfaktor for lungekreft – for eksempel fugler

Et document viser målsetningen til PMI som var å "become THE scientific authority on a wide range of human concerns, thus putting itself above WHO, FAO and other organisations who restrict themselves to narrower fields"

5.7 Situasjonen i u-land

*Dødstallene stiger i u-land*²³

Nærmere fem millioner mennesker døde i 2002, for tidlig, på grunn av helseskader forårsaket av røyking. Det viser en ny beregning foretatt for tidsskriftet The Lancet den 13 september 2003. Antallet dødsofre i industriland var 2,43 millioner og i utviklingsland var det 2,41 millioner.

Dødstallene i industriland er fremdeles størst, men antall røykere i u-land er nå mye høyere. Man regner med at det er 930 millioner røykere i u-land mot 170 millioner røykere i i-land. Forskjellen kommer av at antall røykere har gått ned i i-land, mens antallet har økt eksplosivt i u-land. Dødsstatistikken avspeiler andel røykere for to-fire årtier siden. Det er den tiden det tar å utvikle for eks. lungekreft ellers KOLS. Hjerne- og karsykdommer inntreffer betydelig tidligere.

En viktig forskjell mellom u-land og i-land er videre at de som røyker i u-land dør tidligere – i aldersgruppen 30-69 år.

Framgangsmåte i u-land

"Profits Over People" er en rapport fra 17. desember 2002 som viser at internasjonale tobakksselskaper har igangsatt omfattende kampanjer for å motvirke tiltak mot røyking i denne regionen. Rapporten²⁴ viser bl.a at:

- Forskere i hele Latin-Amerika ble betalt for å desinformere om passiv røyking og helseskader
- Industrien utviklet ungdomskampanjer for å utsette lovregulering
- Industrien hadde detaljert kunnskap om smuglernetverk og deltok aktivt i planlegging og utnyttelse av disse
- Industrien hadde innflytelse og kontakter blant politiske nøkkelpersoner. Lovgivning om

²³ www.tobaksfakta.org

<http://news.bbc.co.uk/2/hi/health/3099936.stm>

²⁴ <http://www.who.int/tobacco/policy/paho/en/>

tobakk ble svak i en rekke land i regionen på grunn av nettopp dette.

Afrika - viktig strategisk område

Imperial Tobaccos sjef Gareth Davis sier " Africa is a key target for Imperial which is increasingly pushing for further international expansion." Han argumenterer for hvor bra dette er for Afrika: "Our initiatives include the provision of sanitation, health and education facilities as well as providing jobs and local revenue. Our African factories work close with their local communities, often including community leaders on their advisory boards".²⁵

Tre fjerdedeler av tobakksdyrking skjer i u-land. Det afrikanske landet Malawi er rangert som et av de 10 fattigste i verden. Men Malawi er også en av verdens største tobakksprodusenter. Ingen annen nasjon på jorda er mer avhengig av tobakk enn Malawi: 70 prosent av landets eksportinntekter skriver seg fra tobakksråvarer.

Så lenge verden etterspør tobakk og prisene er høye, vil Malawi og andre land fortsette å være avhengige av å dyrke tobakk. Malawi og Zimbabwe står til sammen for 94 % av eksportinntektene for tobakk i Afrika. Mange blir "tvunget" til å dyrke tobakk i stedet for mat og andre landbruksvarer fordi det lønner seg å dyrke tobakk.

Men dersom dette virkelig lønner seg, hvorfor er da Malawi fremdeles blant de 10 fattigste nasjonene i verden? Prisen på tobakk er høyere enn for andre produkter, men store mengder dyr kunstgjødning, plantevernsmidler og arbeidskrevende produksjon fører til mindre profit.

Sårbare økosystemer

U-land har sårbare økosystemer, og mange mangler helt eller delvis en miljølovgivning og/eller mulighet til å håndheve slike reguleringer. Miljøkonsekvensene er store i verdens mer enn 30 tobakksproduserende land. For å tørke tobakken brukes ved. Tobakksdyrking står i snitt for 4,6 prosent av den totale avskogingen i tobakksdyrkende u-land. I Malawi går en tredel av all skogen som hogges til tørking av tobakk, og i flere områder fører snauhogsten til jorderosjon og ørkenspredning. I tillegg sprøytes det med det kontroversielle sprøytemiddelet DDT og andre giftige plantevernsmidler. Det biologiske mangfoldet går tapt, og matjord- og vann blir forurenset.

Barnarbeid

Malawi regnes som et av de landene i Afrika med størst forekomst av barnarbeid, spesielt på tobakksplantasjene. 75 % av befolkningen i ett av verdens fattigste land er avhengig av tobakksdyrking. Arbeidere rekrutteres som leilendinger, og familier blir favorisert fordi det er mer kostnadseffektivt når hele familien kan jobbe. Hele 68 prosent av barn i alderen 10–14 år arbeider full- eller deltid sammen med foreldre på plantasjer i Malawi. Dette utgjør ca. 22 % av tobakksarbeiderne.²⁶

5.8 Bevisst markedsføring mot ungdom under 18 år

En omfattende gjennomgang av dokumenter fra tobakksindustrien og fra rettsaker i USA viser at tobakksprodusenter rutinemessig overvåker og forsker på røykevanene til tenåringer²⁷. I tillegg konkurrerer de intenst med hverandre om å utforme produkter og markedsplaner for å få størst mulige deler av ungdomsmarkedet.

Det er ikke lov å markedsføre tobakk mot ungdom under 18 år i mange deler av verden. Tobakksindustrien hevder derfor selv at de bare markedsfører seg mot voksne og etablerte

²⁵ WHO Tobacco Industry Monitoring Report Oct, Nov; Dec 2002 s 41

²⁶ <http://www.globalink.org/tobacco/docs/na-docs/smokeandmirrors/SMOKE4.pdf>

²⁷ www.tobaccocontrol.com; K. M. Cummings, C. P. Morley, J. K. Horan, C. Steger, N-R. Leavell Tobacco Control 2002; 11 (suppl 1):i5-i17

røykere. De sier at de reklamerer for å opprettholde og utvide markedsandelene ved å oppfordre til voksne til å skifte merke.

268 av 5500 undersøkte interne dokumenter fra tobakksindustrien handler om eller har overskrifter "under 18 år ungdomsmarkedsundersøkelser". Industridokumentene viser at tobakksselskapene har overvåket røykevånene til tenåringer gjennom de siste tiåra. Sitater fra industriens toppledere refererer til ungdom som en kilde til salg, og som en nødvendighet for at tobakksindustrien skal overleve.

"The base of our business is the high school student."

- Tobakksselskapet Lorillards toppler om merket Newport i 1978.

I 1981 skriver Phillip Morris i en intern rapport:

"It is important to know as much as possible about teenage smoking patterns and attitudes. Today's teenager is tomorrow's potential customer, and the overwhelming majority of smokers first begin to smoke while still in their teens."

Det er i de eldste dokumentene at ordet "tenåring" er brukt. I nyere dokumenter er dette ordet byttet ut med betegnelsen "unge voksne". Markedsundersøkelser viser at tenåringer ikke blir tiltrukket så mye av markedsføring direkte mot dem. Derfor markedsfører industrien seg nå mot unge voksne.

De vet at dette gjør sigaretter mer tiltrekkende for tenåringer også, som liker å bli sett på som eldre enn de er. Det framstår som "voksnet" å røyke, og dette bruker industrien for å rekruttere ungdom.

5.9 Avsluttende bemerkninger om tobakk

I det foregående har vi stort sett referert til tobakksindustrien som en samlet enhet. Mye av dokumentasjonen rammer industrien som helhet, mens enkelt eksemplene som er trukket fram er brukt for å illustrere den samlede industriens praksis. Dokumentasjonen som er hentet fra frigitte dokumenter i ulike amerikanske rettssaker rammer i hovedsak de største amerikanske tobakksselskapene. British American Tobacco (BAT), Brown and Williamson, Lorillard, Phillip Morris international og R. J. Reynolds er de største på det amerikanske markedet, men også blant de største internasjonalt. Sammen med selskapene Gallaher Ltd (Storbritannia) og Japan tobacco (Japan) er disse de viktigste multinasjonale aktørene. Norsk tobakksindustri er en del av den internasjonale tobakksindustrien. Norske selskaper er med ett unntak enten helt eller delvis eid av multinasjonale selskaper eller kun distributører. BAT eier for eksempel 26 prosent av Skandinavisk tobakskompagni, som igjen eier Tiedemanns tobaksfabrikk. Phillip Morris produkter (særlig Marlboro) importeres og distribueres av selskapet Conrad Langaard as. R. J. Reynolds produkter importeres og distribueres til Norge av Gunnar Stenberg as.

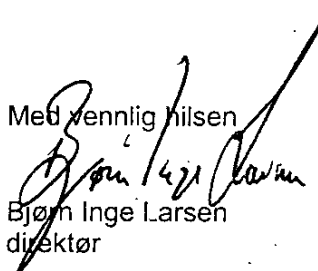
I hvilken grad kan eksemplene over karakteriseres som uetiske?

Det er internasjonal konsensus om sammenhengen mellom tobakksbruk og ulike helseskadelige og dødelige sykdomstilstander. Det samme gjelder avhengighet. Tobakksskader er derfor underlagt en rekke restriksjoner i forhold til salg, markedsføring og produktutvikling. WHO's rammekonvensjon og nasjonale retningslinjer og lovgivning er utformet med tanke på å begrense omfanget av helseskader og å unngå at unge initierer et avhengighetsproblem. Det eksisterer dermed nasjonal og internasjonal enighet om å begrense bruken av tobakksproduktene. Det bør derfor være grunnlag for negativ filtrering av tobakksselskaper.

Gitt nasjonale og internasjonale målsetninger bak de ovennevnte restriktive tiltakene må det videre kunne betraktes som "...særlig grove brudd på grunnleggende etiske normer" når tobakksselskaper begår overtramp mot disse bestemmelsene. Det må kunne fremføres at følgende aspekter ved virksomheten er uetisk:

- 1: Markedsføringen av dødelige produkter
- 2: Produktutviklingen
- 3: Aktiv motarbeidelse av myndighetenes forsøk på å begrense skadeomfanget

Med vennlig hilsen


Bjørn Inge Larsen
direktør


Gunn Elin Bjørneboe
divisjonsdirektør

Vedlegg: Utvalgte sentrale WHO-rapporter om tobakksindustrien

1. Tobacco Company Strategies to Undermine Tobacco Control Activities at the World Health Organization – July 2000
2. Tobacco Industry Monitoring Report – October-December 2002
3. The Cigarette "Transit" Road to the Islamic Republic of Iran and Iraq – Illicit tobacco trade in the Middle East – 2003
4. Tobacco Industry and corporate responsibility... an inherent contradiction . February 2003
5. Profits over People – Tobacco Industry Activities to Market Cigarettes and Undermine Public Health in Latin Amerika and the Caribbean – November 2002

Tobacco Company Strategies to Undermine Tobacco Control Activities
at the
World Health Organization

Report of the Committee of Experts on Tobacco Industry Documents

July 2000

This report contains the collective views of an international committee of experts of the World Health Organization. Members of such committees serve without remuneration and in their expert capacities rather than as representatives of governments or other bodies. The committee was convened by the Director-General to provide advice to her on the subject matter of the investigation. As such, it does not necessarily represent the decisions or the stated policy of the World Health Organization.

FOREWORD

Evidence from tobacco industry documents reveals that tobacco companies have operated for many years with the deliberate purpose of subverting the efforts of the World Health Organization (WHO) to control tobacco use. The attempted subversion has been elaborate, well financed, sophisticated, and usually invisible.

The release of millions of pages of confidential tobacco company documents as a result of lawsuits against the tobacco industry in the United States has exposed the activities of tobacco companies in resisting tobacco control efforts. That tobacco companies resist proposals for tobacco control comes as no surprise. What is now clear is the scale and intensity of their often-deceptive strategies and tactics.

The tobacco companies' own documents show that they viewed WHO, an international public health agency, as one of their foremost enemies. The documents show further that the tobacco companies instigated global strategies to discredit and impede WHO's ability to carry out its mission. The tobacco companies' campaign against WHO was rarely directed at the merits of the public health issues raised by tobacco use. Instead, the documents show that tobacco companies sought to divert attention from the public health issues, to reduce budgets for the scientific and policy activities carried out by WHO, to pit other UN agencies against WHO, to convince developing countries that WHO's tobacco control program was a "First World" agenda carried out at the expense of the developing world, to distort the results of important scientific studies on tobacco, and to discredit WHO as an institution.

Although these strategies and tactics were frequently devised at the highest levels of tobacco companies, the role of tobacco industry officials in carrying out these strategies was often concealed. In their campaign against WHO, the documents show that tobacco companies hid behind a variety of ostensibly independent quasi-academic, public policy, and business organizations whose tobacco industry funding was not disclosed. The documents also show that tobacco company strategies to undermine WHO relied heavily on international and scientific experts with hidden financial ties to the industry. Perhaps most disturbing, the documents show that tobacco companies quietly influenced other UN agencies and representatives of developing countries to resist WHO's tobacco control initiatives.

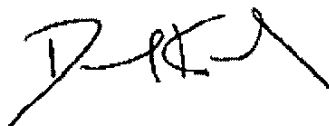
That top executives of tobacco companies sat together to design and set in motion elaborate strategies to subvert a public health organization is unacceptable and must be condemned. The committee of experts believes that the tobacco companies' activities slowed and undermined effective tobacco control programs around the world. Given the magnitude of the devastation wrought by tobacco use, the committee of experts is convinced that, on the basis of the volume of attempted and successful acts of subversion identified in its limited search, it is reasonable to believe that the tobacco companies' subversion of WHO's tobacco control activities has resulted in significant harm. Although the number of lives damaged or lost as a result of the tobacco companies' subversion of WHO may never be quantified, the importance of condemning the tobacco companies' conduct, and taking appropriate corrective action, is overriding.

The committee of experts urges WHO and member countries to take a strong position against the tobacco companies' conduct as described in this report. This report contains a number of recommendations aimed at protecting against the strategies employed by tobacco companies. Among the most important of these recommendations are that: (1) member countries carry out similar investigations into tobacco company influence on those countries' tobacco control efforts, (2) WHO monitor the future conduct of the tobacco industry to determine whether the strategies identified in this report are continuing, and (3) WHO assist member countries to determine what steps are appropriate to remedy tobacco companies' past misconduct.

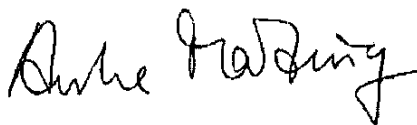
Some tobacco companies in the US have made public claims that they have reformed their behavior and therefore need not be penalized for past misconduct. Such promises, even if true, must not be limited to the industry's conduct in a single country. It is not enough for tobacco companies to now begin acting "responsibly" in the US, if they continue to use unacceptable strategies and tactics in the rest of the world. If the strategies and tactics identified in this report continue to be used internationally by tobacco companies, WHO must bring this behavior into the world's view. Member countries must also carefully assess the impact of past influence of tobacco companies on the health and welfare of their citizens and consider appropriate actions both to correct past misconduct and to deter future abuses.



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EXECUTIVE SUMMARY

A. Introduction

In the summer of 1999, an internal report to the Director-General of the World Health Organization (WHO) suggested that there was evidence in formerly confidential tobacco company documents that tobacco companies had made “efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations.” In response to this report, Director-General Gro Harlem Brundtland assembled a committee of experts to research the once confidential, now publicly available, tobacco company documents.

The documents reveal that tobacco companies viewed WHO as one of their leading enemies, and that they saw themselves in a battle against WHO. According to one major company’s master plan to fight threats to the industry, “WHO’s impact and influence is indisputable,” and the company must “contain, neutralize, [and] reorient”¹ WHO’s tobacco control initiatives. The documents show that tobacco companies fought WHO’s tobacco control agenda by, among other things, staging events to divert attention from the public health issues raised by tobacco use, attempting to reduce budgets for the scientific and policy activities carried out by WHO, pitting other UN agencies against WHO, seeking to convince developing countries that WHO’s tobacco control program was a “First World” agenda carried out at the expense of the developing world, distorting the results of important scientific studies on tobacco, and discrediting WHO as an institution.

Tobacco company strategy documents reveal the companies’ goals and tactics:

“Attack W.H.O.”²

“[U]ndertake a long-term initiative to counteract the WHO’s aggressive global anti-smoking campaign and to introduce a public debate with respect to a redefinition of the WHO’s mandate.”³

“[B]lunt [WHO’s] programme initiatives.”⁴

“[Try] to stop the development towards a Third World commitment against tobacco.”⁵

“[A]llocate the resources to stop [WHO] in their tracks.”⁶

“Discredit key individuals.”⁷

“[Contain WHO’s] funding from private sources.”⁸

“Work with journalists to question WHO priorities, budget, role in social engineering, etc.”⁹

“[Reorient]/reprioritiz[e] IARC [International Agency for Research on Cancer] priorities/budget allocations.”¹⁰

“[Try] to change the very nature and tone of the [WHO-sponsored] conference.”¹¹

“[Establish] ITGA [International Tobacco Growers Association] [as a] front for our third world lobby activities at WHO.”¹²

“[P]ersuade PAHO [Pan American Health Organization] to take tobacco off their list of priorities for this year.”¹³

“[I]nhibit incorporation of ILO [UN’s International Labor Organization] into WHO Anti-Smoking Program.”¹⁴

“Split F.A.O. [U.N. Food and Agriculture Organization]/W.H.O.”¹⁵

This report serves as the final product of the committee of experts’ research, to be submitted to the Director-General for review.

B. Methodology

The investigation focused on the collection and review of tobacco company documents made publicly available as a result of US lawsuits against the tobacco industry. The available documents come from Philip Morris Companies, Inc. (Philip Morris), R.J. Reynolds Tobacco Company (RJR), Brown & Williamson Tobacco Company (B&W), American Tobacco Company (ATC), Lorillard Tobacco Company (Lorillard), the Tobacco Institute (TI), the Council for Tobacco Research (CTR) and the British American Tobacco Company (BAT). Unless specifically noted otherwise, where the report refers to “tobacco companies,” it is a reference to two or more of these companies. The phrase “tobacco companies” is not intended to refer to any other companies not listed here.

In addition, a limited number of individuals were interviewed, following consultation with the Director-General. The information provided by these individuals served to clarify information already found in the tobacco company documents.

C. Strategies and Tactics Used by Tobacco Companies to Influence WHO Tobacco Control

The tobacco company documents reviewed by the committee of experts reveal

that tobacco companies have focused significant resources on undermining WHO tobacco control activities and have used a wide range of tactics to achieve their goal. Evidence before the committee of experts suggests that some of these strategies were successful in influencing WHO activities, while others were not. In some cases, the committee of experts was not able to determine the success of certain strategies based on available information. In several cases, where the committee of experts found an incident or strategy described in the documents to be particularly suggestive of successful influence or illustrative of tobacco company strategies and tactics, the committee of experts included in the report a longer case study of the incident or strategy. (See Chapters IV-IX.)

- **Establishing inappropriate relationships with WHO staff to influence policy**

In one of their most significant strategies for influencing WHO’s tobacco control activities, tobacco companies developed and maintained relationships with current or former WHO staff, consultants and advisors. In some cases, tobacco companies hired or offered future employment to former WHO or UN officials in order to indirectly gain valuable contacts within these organizations that might assist in its goal of influencing WHO activities. Of greatest concern, tobacco companies have, in some cases, had their own consultants in positions at WHO, paying them to serve the goals of tobacco companies while working for WHO. Some of these cases raise serious questions about whether the integrity of WHO decision making has been compromised. All of them illustrate the need for rules requiring that current and prospective WHO employees, including consultants, advisors, and members of expert committees, disclose any ties to the tobacco industry.

- **Wielding financial power to influence WHO policy**

In several cases, tobacco companies have attempted to undermine WHO tobacco control activities by putting pressure on relevant WHO budgets. Tobacco companies have also used their resources to gain favor or particular outcomes by making well-placed contributions.

- **Using other UN agencies to influence or resist WHO tobacco control**

The committee of experts' research reveals that tobacco companies attempted to use other UN agencies to acquire information about WHO's tobacco control activities and to interfere with or resist WHO's tobacco related policies. Most of the tobacco companies' efforts appear to have focused on the Food and Agricultural Organization (FAO), but the documents also reveal that tobacco companies targeted other UN agencies, including the World Bank, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Economic and Social Council (ECOSOC) and the International Labor Organization (ILO), either directly or through surrogates. Tobacco company lobbying was aimed at influencing the FAO to take a stance against WHO's tobacco control policies and to promote the economic importance of tobacco as more significant than the health consequences of tobacco use.

- **Discrediting WHO or WHO officials to undermine WHO's effectiveness**

Tobacco companies used "independent" individuals and institutions to attack WHO's competence and priorities in published articles, and presentations to the media and to politicians, while concealing its own role in promoting these attacks.

- **Influencing WHO decision making through surrogates**

Documents in this study illustrate that tobacco companies utilized a number of outside organizations to lobby against and influence tobacco control activities at WHO including trade unions, tobacco company-created front groups and tobacco companies' own affiliated food companies.

Additionally, delegates of member states from developing countries were lobbied by tobacco companies. The documents indicate that tobacco companies believe that as a result, an increasing number of delegates from these countries have resisted WHO tobacco control resolutions.

- **Distorting WHO research**

Tobacco company strategies and tactics included manipulating the scientific and public debate about the health effects of tobacco. Tobacco companies secretly funded "independent" experts to conduct research, publish papers, appear at conferences and lobby WHO's scientific investigators with the intention of influencing, discrediting or distorting study results. Their own agenda was promoted through tobacco company-funded symposia, counter-research and scientific coalitions developed specifically to criticize studies used to support anti-tobacco legislation. The most notable result of this tobacco company strategy is the misrepresentation of the 1998 study on environmental tobacco smoke (ETS) by the International Agency for Research on Cancer (IARC). The tobacco company distortion of these study results continues today to shape public opinion and policies surrounding the health effects of ETS.

- **Media events**

The documents show that tobacco companies staged media events to distract attention from tobacco-related WHO events such as the World Conference on Tobacco OR Health.

- **Surveillance of WHO activities**

Finally, the documents show that tobacco companies have carried out intensive monitoring of WHO and its Regional Offices to gather intelligence about its tobacco control programs. In some cases, tobacco companies have secretly monitored WHO meetings and conferences, had confidential WHO contacts, and obtained confidential documents and information.

D. Case Studies

The following case studies offer specific examples of many of tobacco company strategies discussed in this chapter. These case studies show that:

- One tobacco company targeted WHO as part of a massive and far-reaching campaign to subvert tobacco control activities around the world.
- Tobacco companies have conducted an ongoing, global campaign to convince developing and tobacco-producing countries to resist WHO tobacco control policies.
- One tobacco company consultant attacked WHO in the media and in presentations to regulatory authorities, without revealing his ties to tobacco companies. This consultant was also named to a WHO committee where he attempted to use a WHO Regional Office in tobacco company plans to distract attention from a WHO-sponsored conference.

- Tobacco companies attempted to stage elaborate diversions from, and disruptions of, a WHO-sponsored conference on tobacco.
- Tobacco companies secretly funded a temporary adviser to a WHO committee, raising questions about whether WHO's international standard-setting activities related to pesticide safety were affected.
- Tobacco companies carried out a multi-million dollar campaign to halt or influence the results of an important IARC study on the relationship between passive smoking and lung cancer, relying on consultants to conceal their role.

Some of these cases raise serious concerns about whether the integrity of WHO decision making has been compromised. Each case study includes specific recommendations for WHO to consider in preventing future tobacco company influence.

1. The Boca Raton Action Plan

In November 1988, under the direction of Geoffrey Bible, then President of Philip Morris International (now Chief Executive Officer of Philip Morris Companies Inc.), top executives from Philip Morris' regional offices and its New York headquarters convened in Boca Raton, Florida, to plan for the succeeding year. The resulting Action Plan - one of the publicly available tobacco company documents - is a master plan for, among many goals, attacking WHO's tobacco control programs, influencing the priorities of WHO Regional Offices, and targeting the structure, management and resources of WHO. The Plan identified 26 global threats to the tobacco industry and multiple strategies for countering each. First among these threats was the World Health

Organization's tobacco control program, addressed under the heading, "WHO/UICC/IOCU Redirection/containment strategies."

- **Tobacco company surrogates to "redirect WHO"**

Tobacco company documents reveal that in order to "redirect" WHO, Philip Morris used its powerful food companies and other non-tobacco subsidiaries, as well as tobacco industry organizations, business organizations, and front groups and other ostensibly independent surrogates. These organizations were used to influence WHO directly and indirectly through the press, national governments and international organizations.

- **Creation and use of ostensibly independent organizations to gain access to WHO**

Much of the Boca Raton Action Plan involved the creation or manipulation of seemingly independent organizations with strong tobacco company ties. The documents show that some of these organizations such as LIBERTAD, the New York Society for International Affairs, the America-European Community Association and the Institute for International Health and Development, were used successfully to gain access to dozens of national and world leaders, health ministers, WHO and other United Nations agency delegates.

- **Mobilization of INFOTAB and CORESTA against WHO**

Another key element of the Boca Raton plan was Philip Morris' decision to transform the industry organizations INFOTAB (International Tobacco Information Center) and CORESTA (Cooperation Centre for Scientific Research

Relative to Tobacco) into political instruments and to mobilize them to lobby against WHO health advocacy programs. The documents also illustrate that Philip Morris used its regional offices and non-tobacco subsidiaries to press business groups like the International Chamber of Commerce (ICC) to lobby the World Health Assembly (WHA), WHO's governing body, and ILO. Additionally, Philip Morris attempted to use FAO, ILO, and other United Nations agencies, WHO Regional Offices and Coordinating Centers, and the governments of developing countries to influence WHO tobacco policies and WHA resolutions.

- **Boca Raton status reports**

Details of the Plan's implementation were outlined in status reports prepared every two months from January 31, 1989 through September 30, 1989. A final summary followed on October 30th, 1989. Under each of the 26 issues addressed in the Plan was a list of accomplishments for each. The reports refer to numerous detailed appendices, which were originally attached to the reports, but which are rarely included in the electronic versions of the reports available at the Minnesota Document Depository or posted on Philip Morris' document website. With considerable effort, the committee of experts was able to locate many of the attachments but several crucial documents could not be located. Other tobacco company documents were used to fill in these gaps when possible.

The Boca Raton Action Plan appears to have lasted for one year. It is unclear whether similar master plans were adopted in subsequent years, as the committee of experts was unable to locate any such plans in the public documents. There is, however, evidence that elements of the Plan continued well into the 1990s. The Plan itself provides

insight into the magnitude and sophistication of the ongoing opposition to WHO's work.

The impact of the Boca Raton Action Plan must be judged within the context of its entire set of goals and strategies. The Plan was remarkable in its scope, encompassing 26 wide-ranging and ambitious goals, to which Philip Morris dedicated its top executives, scientists, attorneys and consultants. It was organized internationally, coordinating all of the company's regional offices and using both tobacco industry organizations and front groups to accomplish an impressive list of achievements.

As one of the world's largest multinational corporations, Philip Morris had the advantage of an international structure which is, in many ways, parallel to that of WHO, with regional offices in several of the same countries or areas of the world, including Philip Morris' research and development center in Neuchatel, Switzerland, near WHO headquarters. These local offices allowed Philip Morris personnel to develop relationships with WHO and UN contacts, especially in Geneva. Through at least one of these contacts, Philip Morris was able to aid in the adoption of a pro-tobacco amendment to a WHA smoking and health resolution, as described in Chapter V.

Philip Morris' business interests and ties to other tobacco companies enabled it to use organizations such as the International Chamber of Commerce (ICC) and the International Tobacco Growers Association (ITGA) to influence international agencies that, in turn, have influence on WHO. Through surrogates, Philip Morris was able to meet with numerous senior officials of both national governments and international organizations, including current and former Director Generals of the ILO and FAO.

Perhaps more significant than any specific policy achievement of the Boca Raton Action Plan, however, was its erection of elaborate and well-concealed mechanisms for sustained opposition to WHO. Today, a decade after these mechanisms were set in place, it is likely that they will soon be mobilized for action against WHO's Tobacco Free Initiative and the proposed Framework Convention on Tobacco Control. If these predictions are correct, the Boca Raton Plan may offer more than insight into the past: it may offer a preview of what lies ahead.

2. The "Third World Issue"

As the 1970s drew to a close, tobacco industry officials worried that WHO and the anti-tobacco movement would use criticism of tobacco industry activities in the developing world to fuel a global campaign against smoking. Quickly, tobacco companies launched a massive campaign to win developing countries' attention and assistance within the UN. Tobacco company lobbyists attempted to foster the concerns of officials from developing countries, as well as economically oriented UN agencies, about the economic importance of tobacco to these countries. Tobacco company representatives attempted to convince developing countries that the loss of tobacco as a cash crop would result in economic destabilization in tobacco-growing countries, significantly increasing the burden of poverty and malnutrition in tobacco-growing countries. According to tobacco company documents, the companies fostered the view that tobacco control was a "First World" concern and that the damage to health in the Third World from tobacco control activities might exceed the toll from tobacco use itself.

When tobacco industry officials first became aware of international criticism of

its activities in developing countries, they perceived a serious threat to long-term profitability. At a tobacco company conference in July 1980, a workshop taught participants that "third world issues can't be 'left for tomorrow to deal with' since they affect the very basis of raw material supply."¹⁶ An anti-tobacco effort by developing countries might limit tobacco growing in such countries as Brazil, Zimbabwe, and Malawi. Even more worrisome was the possibility that the countries of the United Nations might find common purpose in attacking tobacco companies, creating a universally appealing enemy.

Faced with such a threat, industry officials recognized the need to develop a developing country strategy of its own. An industry consultant proposed the following goals:

"We must try to stop the development towards a Third World commitment against tobacco.

We must try to get all or at least a substantial part of Third World countries committed to our cause.

We must try to influence official FAO and UNCTAD [United Nations Conference on Trade and Development] policy to take a pro tobacco stand.

We must try to mitigate the impact of WHO by pushing them [sic] into a more objective and neutral position."¹⁷
[Emphasis in original.]

Throughout the 1980s and well into the 1990s, tobacco companies sought to mobilize officials from developing countries to advance a pro-tobacco agenda on the world stage. The goal was for representatives from UN member states in

the developing world – and not tobacco companies themselves – to make tobacco's case within the FAO, WHO and other UN bodies. This developing country strategy was coordinated by an international consortium of tobacco industry officials that was first called ICOSI (International Council on Smoking Issues) and later renamed INFOTAB. Individual companies, most notably Philip Morris and British American Tobacco Company, also made important contributions.

Although the documents reveal only a part of the tobacco companies' activities, their strategy involved research, concerted lobbying of diplomats from developing countries, and extensive public relations. Industry representatives contacted government officials and UN delegates from around the world. At meetings that followed a common pattern, tobacco company officials would provide presentations on the economic importance of tobacco to developing countries, providing research on such topics as the "social and economic benefit" of tobacco and the lack of sustainable alternatives. Tobacco company lobbyists also tried to build resentment against the developed world, stressing that tobacco-related illnesses were a concern of rich countries, and that the developed countries were unconcerned about the economic realities or real health issues of the developing world.

In this campaign, tobacco companies made prominent use of the International Tobacco Growers' Association (ITGA). ITGA claims to represent the interests of local farmers. The documents indicate, however, that tobacco companies have funded the organization and directed its work. Through their persistent outreach to officials from developing countries, tobacco companies gradually built a base of support within UN agencies and structures, most

notably the WHA and the FAO. Tobacco companies then worked to turn this support into action. Through contacts and influence with numerous officials from developing countries, the tobacco companies aimed to promote their agenda within multiple UN agencies and structures.

- **Food and Agriculture Organization**

Because FAO's agricultural activities supported tobacco growing for many years, by the late 1970s and early 1980s, tobacco companies considered FAO a "natural ally"¹⁸ and a "pressure point for dealing with WHO."¹⁹ In the 1980s and 1990s, by appealing to delegates from developing countries, tobacco companies sought to keep FAO's support and use the agency to make the case for the economic importance of tobacco within the United Nations. As a result of lobbying FAO delegates from developing countries, as well as FAO's Permanent Representatives, industry officials believed they were successful in gaining FAO's support at the UN in resisting tobacco control efforts by WHO. During this period the FAO issued several reports and statements that industry representatives used to support their position on the economic importance of tobacco for developing countries.

- **World Health Assembly**

Documents demonstrate that tobacco companies sought to influence the outcome of several WHA sessions. Tobacco company representatives lobbied delegates from developing countries to propose amendments and resolutions aimed at limiting the scope of the WHO tobacco control program. The case study focuses on the 39th, 41st, and 45th World Health Assemblies, held in 1986, 1988, and 1992, respectively. These sessions were characterized by a massive tobacco

company lobbying effort to get delegates from developing countries to oppose new tobacco control resolutions. In 1992, tobacco companies celebrated the adoption at WHA of a resolution – dubbed the "Malawi Resolution" – that led to the creation of a so-called UN "focal point" for tobacco issues in the UN Economic and Social Council (ECOSOC). Industry representatives viewed this event as a victory that would open new doors at the UN to tobacco company arguments about the economic importance of tobacco.

- **UN Economic and Social Council**

The "focal point" was directed to coordinate a UN collaboration on tobacco issues, including several UN agencies that would be more receptive to tobacco companies' economic arguments. Taking advantage of this opportunity, tobacco companies continued the successful pattern that they had long used as part of their developing country strategy. Industry representatives lobbied government officials, UN delegates, and UN officials about the economic importance of tobacco. Although the focal point in ECOSOC was closed down before producing any notable achievements, industry officials believed that they were successful in their attempts to get FAO, once again, to take a pro-tobacco position with ECOSOC.

Tobacco companies' developing country strategy involved extensive outreach to government officials and UN delegates of these countries. By pressing the economic importance of tobacco and stirring resentment against the developed world, industry officials believed that they had influenced delegates to alter WHO and FAO policy on tobacco. Rather than face world condemnation for its actions in developing countries, the tobacco industry benefited

from these countries' representation of tobacco's interests at the international level.

By the mid-1990s, tobacco company documents show that industry representatives believed their developing country strategy had successfully led the FAO to release pro-industry reports on the economic importance of tobacco, had inspired delegates from developing countries to make pro-tobacco objections, amendments and resolutions at the WHA, and had countered anti-tobacco efforts at the UN "focal point" on tobacco.

The publicly available tobacco company documents, which largely end in the mid-1990s, do not reveal what further activities industry representatives pursued to resist tobacco control efforts through their developing world allies. However, all indications are that the developing country strategy is still active and may play a role in the tobacco company campaign against the Framework Convention on Tobacco Control.

Several recommendations follow this case study. Among them are suggestions that other UN agencies and national governments examine influence by the tobacco industry on their decisions and programs, and that WHO raise for consideration at the WHA some form of disclosure of tobacco industry affiliations by delegates. The committee of experts also included a recommendation that WHO learn to counter tobacco company lobbying in developing countries, while at the same time seeking to address the legitimate economic concerns of those states about the loss of tobacco as a cash crop.

3. An "Independent" Critic of WHO

A key part of tobacco companies' strategy to undermine tobacco control activities at WHO in the 1980s and 1990s was to redefine the mandate of WHO, or at least redirect its priorities away from tobacco. To this end, tobacco companies used "independent" academic institutions, consultants, and journalists to undermine the organization's credibility, to question its "mission and mandate," and to divert its priorities from tobacco control to other health needs. These individuals and institutions were, in fact, secretly paid by tobacco companies to promote pro-tobacco or anti-WHO opinions.

Many tobacco company documents suggest that Paul Dietrich, an American lawyer with long-term ties to tobacco companies, played a significant role in this element of the tobacco company strategy. Dietrich wrote articles and editorials attacking WHO's priorities, which were published in major media outlets and widely disseminated by tobacco company officials. He also traveled around the world for tobacco companies, giving presentations to journalists and government officials on WHO's inappropriate spending and priorities. No mention was ever made in his articles and presentations that he received significant tobacco company funding.

In 1990, Dietrich, while still working with tobacco companies, was appointed to the Development Committee of the Pan American Health Organization (PAHO), an organization that also serves as WHO's regional office for the Americas. While there, the documents indicate that Dietrich attempted to redirect PAHO's priorities away from tobacco. According to the documents, he also played a role in getting PAHO to produce and sponsor an important

media event that was used by tobacco companies to divert attention from the WHO-sponsored 8th World Conference on Tobacco OR Health. Dietrich denies that he ever knowingly participated in any tobacco industry event or project, or that he was ever paid by the tobacco industry for his work.

- **Media seminars**

One of the key public relations strategies tobacco companies have employed over the years is to invite a small number of selected journalists to a conference where they hear the views of people who will provide a tobacco company viewpoint on topics of importance to the industry. Paul Dietrich made presentations criticizing WHO at a long series of media seminars around the world, sponsored by Philip Morris and BAT between 1984 and 1992. The documents show that the assembled journalists were told that the experts making presentations were entirely independent of the industry.

- **Media/political tours on behalf of tobacco companies**

Dietrich appeared not only at individual seminars, but was invited by tobacco company officials to tour whole regions promoting an anti-WHO agenda to government officials. During at least one of these tours, he also gathered intelligence and reported to the industry about tobacco control activities in the region. In some cases, he allowed his contacts to believe that he was a tobacco control activist.

- **Criticizing WHO in the print media**

In the late 1980s, Dietrich began to publicly attack WHO through the press. From 1988 through to 1993, he wrote numerous articles criticizing WHO in the mainstream media, mainly in the US, including the *Wall Street Journal*,

International Herald Tribune and *Washington Times*. Dietrich's relationship to the tobacco industry was never mentioned in any of the articles.

Most of the articles published by Dietrich were timed to coincide with the annual sessions of the WHA, with the apparent goal of influencing the debates and resolutions of that body. The documents suggest that Philip Morris played a role in the publication and wide dissemination of some of Dietrich's articles, in furtherance of its campaign to undermine WHO and redirect its priorities away from tobacco control.

- **The Institute for International Health and Development**

Dietrich was the President of an organization called the Institute for International Health and Development (IIHD). The documents suggest that Philip Morris and BAT were involved with IIHD, and made use of the organization and its magazine, *International Health and Development*, in their campaigns to undermine WHO's tobacco control activities.

- **The Pan American Health Organization (PAHO)**

In 1990, Dietrich was appointed to the PAHO Development Committee. During at least part of the period that Dietrich was on the PAHO committee, the documents show that he also billed a monthly consulting fee from BAT. It was while at PAHO that Dietrich may have had the most significant opportunity to influence WHO policies on tobacco.

The documents suggest that Dietrich used his position there to try to redirect the organization's priorities away from tobacco,

by focusing more attention on childhood immunization and other diseases. A BAT document in 1991 reported that: "Paul has managed to persuade PAHO to take tobacco off their list of priorities for this year."²⁰ The documents also suggest that Dietrich may have been able to use PAHO as an unknowing front for the tobacco companies' strategy to divert attention from the 8th WCToH. (See Chapter VII.)

A PAHO official disputes the account provided by the documents, insisting that Dietrich had no influence over tobacco policy there. Dietrich claims that he carried out many of the activities described in the documents, but that they were not conducted for the tobacco industry.

- **Relationship with and financial ties to tobacco companies**

Tobacco company documents provide evidence of Paul Dietrich's long association with and financial links to tobacco companies. According to the documents, Dietrich and the institutions he operated were at different times associated with the Tobacco Institute, Philip Morris, and, most significantly, BAT. Many documents show that Dietrich and the organizations he operated received significant funding from tobacco companies. Indeed, tobacco company documents include bills from Dietrich to BAT. Another document refers to Dietrich's "expensive consultancy"²¹ with BAT.

The case study illustrates one of the ways that tobacco companies, whose public credibility is low, have their positions publicly advocated by ostensibly independent "third parties." Although Dietrich denies that his long-standing campaign against WHO was funded by tobacco companies or that he worked with the industry on any of the projects described

in this case study, the documents paint a different picture. The documents strongly suggest that Dietrich had a long relationship with members of the tobacco industry and that tobacco companies used this relationship to promote their anti-WHO agenda.

The fact that Dietrich had such a relationship with tobacco companies raises concerns about his appointment to a committee at PAHO. The committee of experts believes that there are significant conflict of interest issues raised by holding a position on a PAHO committee while simultaneously working for the tobacco industry, and has made a series of recommendations to help ensure that such conflicts do not arise.

4. 8th World Conference on Tobacco OR Health

A review of internal tobacco company documents relating to the 8th World Conference on Tobacco OR Health (WCToH), held in Buenos Aires in 1992, shows that BAT and Philip Morris, the two largest private tobacco companies, initiated a campaign to undermine the Conference, using an extraordinary range of tactics, some of which might be termed "dirty tricks." These included staging elaborate diversions from the Conference, and training journalists to both hound a conference participant and take over a WCToH press conference. Tobacco companies' planned use of the media in this context deserves special mention. In this campaign, journalists were to play a central and, in some cases, a knowing role in the manipulation of public opinion. Like so many of the other tobacco company campaigns described in this report, this case study exemplifies tobacco companies' consistent intent to conceal its role in carrying out plans to undermine WHO tobacco control initiatives.

The documents also suggest that tobacco companies made use of PAHO, an organization that also serves as WHO's Regional Office for the Americas, in its campaign. Through the offices of Paul Dietrich, identified in the documents as a tobacco company consultant who also sat on PAHO's Development Committee, the documents suggest that tobacco companies were able to guide the development of, and then exploit, a PAHO-sponsored media program, for the purpose of undermining the 8th WCToH. However, Dietrich claims that the industry was not involved in his media program, and PAHO officials dispute that Dietrich had any role in the media program.

- **Media Plan**

Integral to the tobacco company plan to weaken the 8th WCToH was a media event that the documents state was developed by Paul Dietrich. Dietrich's media program was created to promote the position that health spending in Latin America should not go to tobacco-control initiatives, but to other pressing public health issues such as children's immunization programs and AIDS prevention programs. The program called for popular US entertainer Gloria Estefan to star in a widely televised show advocating the importance of "vaccinating children" on a "Save the Children" tour, near the time of the Conference. A memo from Dietrich to BAT spelled out how this event would assist tobacco companies:

"We now have a major media event around which to work. Secondly, we have a major star, who will attract large audiences. We have also been assured we will get early prime time airing of the television special on March 19th. All of this is perfectly timed for our initiative at the Eighth World Tobacco Conference. For the month leading up to the Tobacco Conference, all of the press will be

focused on the major health priority in Latin America, which is to vaccinate all children."²²

Capitalizing on his role in the PAHO Development Committee, the documents suggest that Dietrich managed to have this program funded by PAHO. PAHO was unaware of its intended use by tobacco industry officials.

Following the broadcast, industry representatives planned to place articles in news outlets throughout Latin America questioning the 8th WCToH and health spending on tobacco programs. Industry representatives also planned to train journalists to take over WCToH press conferences:

"We must teach them [the journalists] how to be pushy and press the speakers aggressively (speakers will not want to compare spending on tobacco and funds for children. If they don't answer the question, our journalist must aggressively pursue the speaker with follow up questions until he finally addresses the issue - this will not be easy.) If we are successful in getting the journalists to be aggressive and work as a team, we should be able to dominate the press conference. Even if we only get a few journalists to write about the controversy we have created, I think this would be a success. We will also have succeeded in diverting the press conferences with "our" questions, so they have less time to attack us."²³

- **Other public relations strategies aimed at the 8th WCToH**

The documents also show that tobacco companies plotted to distract attention from high profile American politicians attending the conference. An important soccer match

between an American and Spanish team was to be arranged on the day that former US President Jimmy Carter was to arrive at the conference. Industry representatives also planned a campaign against US Senator Edward Kennedy, who was present at the Conference:

“Selected reporters will have to question his [Ted Kennedy’s] alcoholic dependence and highlight the sexual harassing blamed on him in the USA, thus reducing the importance of his presence at the Conference.”²⁴

- **Scientific strategies aimed at the 8th WCToH**

Philip Morris and British American Tobacco developed scientific strategies to thwart any smoke-free policies that would result from the 8th WCToH. Primary strategies involved a scientific consultant program in Latin America and an indoor air quality conference to be held at the time of the Conference.

Industry officials also prepared for the 8th WCToH by meeting with the Conference organizers prior to the Conference and planned to recruit scientists to infiltrate the conference, but as in the rest of the campaign, the tobacco companies would camouflage their role.

“With proper press handling we could, for the first time, create a controversy in areas in which public opinion is under the impression that none exists. This, of course requires that we are able to achieve the participation of top level scientists ...*The industry, obviously, can not [sic] appear to sponsor the activity nor finance participants trips. That would have to be done through donations to foundations or independent institutions....*”²⁵ [Emphasis added.]

Although a review of documents relating to the 8th WCToH reveals grand plans by tobacco companies to undermine the 8th WCToH, there is limited evidence in the documents as to what aspects of the plan were actually carried out. Accordingly, searches of media archives and other literature searches were conducted.

Interviews with Paul Dietrich, Ciro de Quadros, the Director of Immunizations at PAHO, and Carlyle Macedo, former Director of PAHO disclosed that some elements of Dietrich’s media plan were carried out and others were not. The television program in which Gloria Estefan and other Latin American entertainers promoted childhood immunizations was produced in Miami and televised on national prime-time channels. However, Dietrich claims that while he was instrumental in the production of the program, the tobacco industry was not involved. PAHO officials claim that Dietrich was not involved in the program. Press accounts suggest that other planned events may also have occurred, including an AIDS event and a program for journalists on the economic importance of tobacco.

This case study demonstrates the lengths to which tobacco companies will go to undermine the success of a World Conference on Tobacco OR Health. Many of the tactics proposed by industry officials, such as staging an important soccer match to coincide with the arrival of Jimmy Carter or training journalists to hound Senator Edward Kennedy about drinking and sexual harassment allegations, had elements of a “dirty tricks” campaign. However, these tactics, and many others devised by industry officials in connection with the 8th WCToH, also had a more significant purpose: to distract media attention from the Conference and manipulate the media stories that emerged.

Two recommendations follow from this case study. First, the committee of experts recommends increasing media advocacy training and funding to WHO Regional Offices and Collaborating Centers. Second, the committee of experts recommends that WHO continue to require financial disclosure for submissions to future WCToHs, and consider expanding these disclosures to identify underlying sources of significant funding.

5. United Nations Standard-Setting for EBDC Pesticides

The ethylene bisdithiocarbamate (EBDC) pesticides protect tobacco and other crops from fungi and molds. In the 1980s, evidence began to mount that the common breakdown product of these chemicals, known as ethylene thiourea (ETU), causes cancer. In September 1989, anticipating a regulatory action, US manufacturers of EBDCs cancelled many uses for the fungicides – including all uses on tobacco crops. Soon after, tobacco industry officials at the Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA), an industry organization, embarked on a campaign to ensure continued availability of the EBDCs.

CORESTA hired Gaston Vettorazzi, former pesticide official at WHO, to coordinate its campaign for the EBDCs. In the spring of 1991, Vettorazzi produced safety reviews of the EBDC pesticides for CORESTA. These reviews were revised and edited by tobacco industry scientists. In his reports, Vettorazzi initially concluded that ETU “is not a carcinogen.” A preliminary review by the committee of experts of these documents raises questions about the validity of Vettorazzi’s interpretation of the scientific evidence.

With Vettorazzi’s reassuring reports on the EBDC fungicides in hand, CORESTA considered releasing the information to the Joint Meeting on Pesticide Residues (JMPR), a combined program of WHO and the Food and Agriculture Organization (FAO). JMPR is responsible for setting safety standards for pesticides, and tobacco industry officials recognized the key role of this UN standard-setting effort. If JMPR had determined that safety concerns precluded the establishment of a safe intake level for the EBDCs, then the pesticide manufacturers might have considered stopping production of these chemicals altogether. On the other hand, if JMPR were to set a safe intake level, then manufacturers would be assured of an international safety standard and would have reason to maintain production.

After extensive discussion, in January 1992, the CORESTA Board decided to allow Vettorazzi to send his reviews to JMPR under the name of the International Toxicology Information Centre – with no mention of CORESTA’s role in the reports.

Soon after submitting his reports to JMPR, the WHO Secretariat asked Vettorazzi to serve as a temporary advisor and review pesticides. Vettorazzi sought and obtained funding from CORESTA to work at JMPR.

Over the ensuing 2 years, CORESTA paid Vettorazzi nearly US\$100,000 to work at WHO reviewing pesticides and serving as a temporary advisor to assist JMPR in its evaluation of EBDCs. This financial arrangement, which ensured that a tobacco industry consultant would be in a position to participate in a UN standard-setting effort, was not disclosed to WHO or to JMPR.

In November 1993, JMPR issued its conclusion about the EBDCs. JMPR’s scientific conclusions were consistent with

Vettorazzi's reports, but not with the conclusions of the US Environmental Protection Agency (EPA). Accordingly, JMPR set a safe intake level for ETU that eventually led to a legal recognition of safety under international standards. CORESTA hailed the decision as a major victory for tobacco companies.

Because of the lack of documentation of the decisionmaking process at the JMPR, Vettorazzi's impact on JMPR's standard setting is unclear. A preliminary review of the JMPR toxicology monograph on ETU raises questions about whether the international committee satisfactorily addressed all available evidence.

Subsequent to JMPR's review, the documents indicate that CORESTA financed Vettorazzi to publish a scientific paper on the international evaluation of the EBDCs. This paper appeared in *Teratogenesis, Carcinogenesis and Mutagenesis* in 1995 without acknowledgment of tobacco company financial support. Various industry organizations have retained Vettorazzi to represent tobacco's interests at UN meetings, including the Codex Alimentarius Commission, and to assist tobacco companies on national pesticide issues around the world. Vettorazzi continues to consult for CORESTA today.

The story of the EBDCs demonstrates the ability of tobacco companies to involve one of their consultants in a UN standard-setting activity surreptitiously and highlights the role of financial stress in creating opportunities for tobacco companies. Financial pressure created an obvious incentive for WHO officials not to press Vettorazzi for too many details about the arrangement that brought him to Geneva.

This case study illustrates tobacco companies' willingness to influence any UN

processes related to tobacco and health. Industry officials identified a threat to the industry's future in pesticide regulation and quickly developed a strategy to protect its interests.

A fundamental question is whether a tobacco industry consultant – hiding his tobacco company ties – contributed significantly to a conclusion by a UN standard setting agency about the safety of a widely used group of pesticides and whether that conclusion was inappropriate.

The committee of experts' review of evidence raises troubling questions about whether Vettorazzi inappropriately favored the EBDCs. The committee of experts cannot reach a definitive conclusion on the safety of these pesticides, and the lack of adequate documentation within JMPR complicates an assessment of what happened prior to and during its 1993 meeting. A preliminary review cannot fully exonerate the JMPR process and conclusions, and the committee of experts believes that further investigation is necessary.

In conclusion, Vettorazzi's role in advising JMPR on the EBDCs represents a tobacco company attempt to influence the scientific community while hiding its own role and ultimately undermines the integrity of JMPR's decisions. To restore credibility and to prevent future occurrences of similar attacks on standard-setting activities, the committee of experts believes that WHO must reform its approach to conflict of interest and provide strong guidance and enforcement for ethical standards.

Among several suggestions specific to this case study, the committee of experts recommends that WHO obtain an independent evaluation of those pesticides in which Vettorazzi took an active interest.

6. IARC ETS Study

A multi-million dollar tobacco company campaign to undermine a large-scale epidemiological study on the relationship between environmental tobacco smoke (ETS) and lung cancer has recently been documented in *The Lancet*.²⁶ The ETS study was conducted by the International Agency for Research on Cancer (IARC), an agency established under the auspices of WHO. The tobacco company campaign aimed to influence the results of this study and to weaken its impact on the global regulation of ETS. The committee of experts has reviewed documents that describe this campaign and interviewed the IARC study coordinator.

The story demonstrates tobacco companies' willingness to compromise the integrity of an independent scientific study. The story also provides important information about how tobacco companies achieve their goals when attempting to influence scientific and regulatory decision-making.

Initiated in 1988, the IARC ETS study was an international, collaborative case-control study to assess the relationship between exposure to ETS and other environmental risk factors and the risk of lung cancer in subjects who had never smoked tobacco. When tobacco industry officials learned about the IARC ETS study, they became alarmed that a conclusion from the respected IARC that ETS causes cancer could result in new smoking restrictions in Europe and around the world.

In 1993, Philip Morris launched a wide-ranging, well-funded campaign to influence or contain the negative impact of the IARC study. The objectives of the campaign were to:

"1. Delay the progress and /or release of the study.

2. Affect the wording of its conclusions and official statement of results.

3. Neutralize possible negative results of the study, particularly as a regulatory tool.

4. Counteract the potential impact of the study on governmental policy, public opinion, and actions by private employers and proprietors."²⁷

Philip Morris and a task force composed of many tobacco companies developed an ambitious set of strategies to achieve their objectives:

- Influence IARC budgets or officials to cancel or delay the study.
- Establish contacts with the scientists carrying out the studies.
- Conduct and promote counter research.
- Promote scientific standards that would limit the use of epidemiology as a basis for public policy and create an "independent" coalition of scientists to criticize damaging studies.
- Manipulate the public and regulatory response to the study results.
- Cancel or influence the expected IARC monograph on ETS. (IARC publishes authoritative assessments of the risk of cancer from various agents, known as monographs, which are frequently used by governments considering regulatory action.)

From 1993 through the release of the IARC study report in 1998, the tobacco companies implemented their plans to

influence the conduct of the study and the interpretation of its results.

- Tobacco companies established contacts with IARC investigators, generally through outside scientists, to gather intelligence about the study, and influence the interpretation of the study results. Through these contacts, tobacco companies obtained certain confidential information about the study and its progress.
- Tobacco companies commissioned and promoted numerous studies and conferences designed to cast doubt on ETS's toxicity and on the methods used in the IARC study.
- In many instances, the tobacco companies appear to have successfully concealed their role in contacting IARC investigators and in their funding and marketing of counter research.
- Tobacco companies worked for adoption of epidemiological standards that would prevent governments from relying on the IARC study, and to form an ostensibly independent sound science coalition that would assist tobacco companies' legislative agenda by challenging the use of certain types of studies as the basis for policy making.
- Tobacco companies developed and carried out an elaborate media and government strategy in which they managed to distort the study results, spawning widespread, inaccurate media reports that the study showed no risk of cancer from ETS.
- Industry representatives worked to gain invitations for tobacco company consultants to participate in the expected monograph working group and to

produce studies that would influence the monograph results.

The least successful elements of the tobacco company strategy were those intended to (1) cancel or delay the study and (2) develop generally accepted epidemiological practice standards that would prevent regulatory authorities from using the IARC study in standard setting. Both plans appear to have been abandoned because they were not feasible.

Tobacco companies successfully established contacts with the IARC investigators and funded and publicized research designed to cast doubt on the validity of the IARC study. Through their contacts with IARC investigators and collaborators, tobacco companies were able to gain a great deal of information about the design, conduct, and analysis of the study, as well as information on preliminary results. Some of this information was intended to be kept confidential.

Ultimately, however, the tobacco companies' efforts to contact scientists and influence the methodology of the study do not appear to have altered the study results or analysis. Although IARC has not initiated a monograph on ETS, the committee of experts did not find evidence in the tobacco company documents that IARC's decision not to issue a monograph was influenced by the tobacco industry.

The tobacco companies' communications strategy was the most successful element of its attempt to undermine the IARC study. By distorting the statistical underpinnings of the study results, tobacco industry officials managed to convince journalists around the world to write news stories that the study showed no increased risk of lung cancer from ETS exposure in non-smokers. Tobacco

companies' distortions of the study results continue to be repeated in media accounts and in tobacco company presentations to regulatory authorities.

The committee of experts has included several recommendations for IARC to follow to help prevent successful manipulation of future scientific studies by tobacco companies. These include written guidelines for: (1) handling contacts with outside organizations, particularly industry representatives; (2) disclosure of information; and (3) acceptance of research grants or offers of employment from industries affected by the studies in which IARC investigators are participating. Additionally, the committee of experts recommends that IARC and WHO consider a policy of embargoing information about the results of tobacco-related studies until the full report is ready for release. IARC and WHO should also develop and maintain communication about tobacco-related issues.

E. Recommendations

In the course of this inquiry, the committee of experts has identified many reasons for concern about the integrity of the process for international decision-making about tobacco. The evidence shows that tobacco companies have operated for many years with the deliberate purpose of subverting the efforts of WHO to address tobacco issues. The attempted subversion has been elaborate, well financed, sophisticated and usually invisible. That tobacco companies resist proposals for tobacco control comes as no surprise, but what is now clear is the scale, intensity and, importantly, the tactics, of their campaigns. To many in the international community, tobacco prevention may be seen today as a struggle against chemical addiction, cancers, cardiovascular diseases and other health consequences of smoking. This inquiry

adds to the mounting evidence that it is also a struggle against an active, organized and calculating industry.

This has implications for WHO, and perhaps for other international bodies, in terms of both program activities and internal procedures. The committee of experts hopes this report will contribute to a broad discussion of those implications within the international community, and will lead to the necessary changes in practices and programs to ensure that the integrity of international decision-making is protected.

- **Increasing public awareness of tobacco company influence**

The committee of experts recommends that WHO increase public awareness of tobacco company influence on international tobacco control policies. Specifically, WHO should release and publish this report for discussion at public hearings on the Framework Convention on Tobacco Control in October 2000, in addition to a broader public distribution.

- **Further investigation by other UN agencies and member countries**

In the course of its review, the committee of experts has seen statements suggesting possible tobacco company influence on the policies of other UN agencies and member countries. The committee of experts therefore recommends that WHO urge other UN organizations and member countries to conduct investigations similar to this one to uncover possible tobacco company influence.

- **The Framework Convention on Tobacco Control**

It is likely that tobacco companies will attempt to defeat the proposed Framework

Convention on Tobacco Control, or to transform the proposal into a vehicle for weakening national tobacco control initiatives. Such a campaign is likely to be sophisticated and sustained, and to use tactics similar to those described in this report. The committee of experts recommends that WHO develop a sophisticated communications campaign to support the Framework Convention on Tobacco Control and counter any campaign of opposition by tobacco companies.

- **Protecting the integrity of WHO's decision making process**

In the course of this inquiry, the committee of experts identified several areas in which it felt the process and rules currently in place at WHO to guard against potential conflicts of interest involving the tobacco industry should be clarified, strengthened or expanded. These recommendations are intended for application throughout WHO, including within its Collaborating Centers.

The existing conflict of interest requirements for WHO employees are contained in one page of staff regulations promulgated by the WHA and one page of staff rules established by the Director-General. As a general observation, the committee of experts notes that these ethical rules have been clarified significantly in recent years, and that internal review of the rules is continuing.

Based on its review, the committee of experts identified specific opportunities for improving this regulatory regime. Taken together, the committee of experts hopes that the specific recommendations set forth in this report will help protect the integrity of WHO's decision making. They include suggestions for screening prospective employees, consultants, advisors, and

committee members for conflicts of interest, and clarifying the consequences of violations of ethical rules.

The recommendations also urge WHO to place before the WHA, for discussion by member countries, questions related to disclosure of affiliations between WHA delegates and tobacco companies, and between Non-Governmental Organizations (NGOs) and tobacco companies.

- **Protecting scientific integrity**

As demonstrated by this report's case studies of the IARC ETS study and the review of dithiocarbamate pesticides, additional safeguards are needed to protect against tobacco company attempts to distort scientific research sponsored by, or associated with, WHO and affiliated organizations. To this end, the committee of experts has offered: (1) recommendations for educating scientific investigators about tobacco companies' efforts to undermine research; (2) guidelines for contact with industry representatives and disclosure of information and funding sources; and (3) suggestions for interagency communication standards among UN bodies. The committee of experts also recommends that WHO and IARC develop affirmative communications plans to anticipate and counter tobacco company misrepresentation of important new research findings.

- **Addressing tobacco companies' developing country strategy**

Tobacco companies' successful efforts to reach out to developing countries based on the economic importance of tobacco suggest that WHO must address these countries' concerns to achieve a global consensus on tobacco control. WHO should develop a strategy to counter the tactics employed by tobacco companies to gain

opposition to tobacco control in the developing world. This strategy must address the legitimate economic issues raised by the loss of tobacco as a cash crop.

- **Correcting past tobacco company misconduct and protecting the public from future misconduct**

This report details a pattern of influence and misconduct by tobacco companies aimed at thwarting global tobacco control initiatives. The committee of experts believes that the harm caused by the tobacco companies' conduct was significant and far-reaching. The report recommends that WHO take two important steps to correct the results of past misconduct and guard against future tobacco company misconduct.

First, WHO should assist member states in determining whether they have a legal and factual basis to seek restitution from tobacco companies for past misconduct.

Second, WHO should monitor tobacco company activities to determine whether the pattern of behavior described in this report has ceased or is continuing. To ensure that tobacco company misconduct does not remain hidden, as it has in the past, WHO should make regular public reports on its findings.

F. Conclusion

This inquiry demonstrates the magnitude of tobacco companies' opposition to WHO tobacco programs, and offers insight into their activities, strategies and attitudes. Moreover, it demonstrates that tobacco is unlike other threats to health. Reversing the epidemic of tobacco use will be about more than fighting addiction and disease; it will be about overcoming a determined and powerful industry, many of whose most important counter-strategies are carried out

in secret. If this inquiry contributes to that understanding, the committee of experts will have succeeded in its work.

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I. INTRODUCTION

A. Committee's Charge

On October 12, 1999, Director-General Gro Harlem Brundtland of the World Health Organization (WHO) announced that she was appointing a committee of outside experts to conduct a preliminary inquiry into whether tobacco companies have attempted to undermine tobacco control efforts by WHO or other United Nations (UN) agencies. The press release stated that an initial analysis had been done, which revealed "efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations."

The Terms of Reference for the committee of experts stated that its task was to research the formerly secret, now publicly available, tobacco company documents. The committee of experts was to determine whether and to what extent tobacco companies have attempted to influence the development and implementation of tobacco control policies or the performance of related activities at WHO, the International Agency for Research on Cancer (IARC, an agency established under the auspices of WHO), and other bodies and agencies of the UN system that have expressed an interest in the inquiry. If the committee of experts determined that information beyond the publicly available documents was necessary, it was to consult with the Director-General or other officials designated by her for this purpose on the most appropriate means to obtain that information. The committee of experts was to provide to the Director General a status report and a final report.

B. Members of the Committee of Experts

The Director-General asked Thomas Zeltner, the Director of the Swiss Federal

Office of Public Health and a member of WHO's Executive Board, to lead the committee of experts. The Director-General also appointed David Kessler, Dean of the School of Medicine at Yale University, Anke Martiny, Executive Director of Transparency International, German Chapter, and former member of the German Federal Parliament, and Fazel Randera, Inspector General of Intelligence for South Africa, and former Truth and Reconciliation Commissioner. Dr. Martiny was nominated to the committee of experts by the World Bank.

The committee of experts was assisted in its investigation by a staff of eight researchers, 2 full-time and 6 part-time. Led by Ann Witt, the staff included Douglas Blanke, Abigail Halperin, Nadine Leavell, Monique Muggli, Andy Rowell, Joshua Sharfstein, and Judith Watt.

C. Scope of the Investigation

The committee of experts limited its investigation to tobacco company influence on tobacco control activities at WHO headquarters, its Regional Offices and Collaborative Centers, and IARC. The committee of experts also identified documents related to the World Bank. Other UN agencies did not express an interest in the investigation.

The committee of experts wishes to emphasize that this report, while as thorough as possible in the time allowed, is not an exhaustive review of relevant company documents or of other evidence related to tobacco company influence at WHO or the UN. (See below, "Limitations of the Investigation.") The committee of experts therefore encourages further investigation of the topics covered in this report.

D. Overview of the Report

This report has eleven chapters. After the Introduction, Chapter II describes the methods used in researching this report and describes some of the limitations of the committee of experts' investigation. Chapter III contains a brief description of the many tobacco company strategies and tactics used to influence WHO tobacco control policies found in the documents. These strategies and tactics include:

- Staging events to divert attention from the public health issues raised by tobacco use,
- Establishing inappropriate relationships with WHO officials,
- Attempting to reduce budgets for the scientific and policy activities carried out by WHO,
- Pitting other UN agencies against WHO,
- Seeking to convince developing countries that WHO's tobacco control program is a "First World" agenda carried out at the expense of the developing world,
- Distorting the results of important scientific studies on tobacco, and
- Discrediting WHO as an institution.

Each type of strategy is illustrated by specific examples from the documents. The committee of experts has included a few individual pages of actual tobacco company documents.

Chapters IV-IX contain six detailed case studies of specific campaigns undertaken by tobacco companies to influence WHO

tobacco control activities, or of individuals who played strategic roles in the tobacco companies' campaigns. Many of the case studies illustrate tobacco companies' use of the strategies outlined in Chapter III. These case studies show that:

- One tobacco company targeted WHO as part of a massive and far-reaching campaign to subvert tobacco control activities around the world.
- Tobacco companies have conducted an ongoing, global campaign to convince developing and tobacco-producing nations to resist WHO tobacco control policies.
- One tobacco company consultant attacked WHO in the media and in presentations to regulatory authorities without revealing his ties to tobacco companies. This consultant was also named to a PAHO committee where he attempted to use a WHO Regional Office in tobacco company plans to distract attention from a WHO-sponsored conference.
- Tobacco companies attempted to stage elaborate diversions from, and disruptions of, a WHO-sponsored conference on tobacco.
- A tobacco industry organization secretly funded a scientific advisor to a WHO committee, raising serious questions about whether WHO's international standard-setting activities related to pesticide safety were affected.
- Tobacco companies carried out a multi-million dollar campaign to halt or influence the results of an important IARC study on the relationship between environmental tobacco smoke and lung cancer, relying on consultants to conceal the companies' role.

Each case study includes specific recommendations for actions by WHO to prevent improper tobacco company influence.

In addition to the specific recommendations following each case study, Chapter X lists general recommendations in response to the tobacco company activities detailed in the report. Chapter X also provides, for the convenience of the reader, a comprehensive list of the specific recommendations following each of the case studies. The committee of experts' conclusions are found in Chapter XI. A Glossary of Acronyms used in the report follows Chapter XI.

TOBACCO INDUSTRY MONITORING REPORT

OCTOBER 2002

NOVEMBER 2002

DECEMBER 2002

PURSUANT TO WHA RESOLUTION 54.18, TRANSPARENCY IN TOBACCO CONTROL PROCESS, THAT "CALLS ON WHO TO CONTINUE TO INFORM MEMBER STATES ON ACTIVITIES OF THE TOBACCO INDUSTRY THAT HAVE NEGATIVE IMPACT ON TOBACCO CONTROL EFFORTS," THE FOLLOWING REPORT HAS BEEN PREPARED FROM PUBLICLY AVAILABLE SOURCES.



**WORLD HEALTH ORGANIZATION
TOBACCO FREE INITIATIVE
<http://www.who.int/tobacco>**

killing for profit tobacco industry monitoring report october 2002-december 2002

An insight into the recent activities of the tobacco industry in October 2002-January 2003, brings to light current news on court cases and other legal activity, marketing, smuggling, as well as efforts to reshape and improve corporate identity. This brief overview and the attached media clippings highlight smuggling, marketing and corporate conduct with a special emphasis on corporate social responsibility. This information was collected from publicly available media outlets, publications and the internet.

This report has been prepared pursuant to WHA Resolution 54.18, Transparency in Tobacco Control Process, that "calls on WHO to continue to inform Member States on activities of the tobacco industry that have negative impact on tobacco control efforts."¹

on smuggling

Cigarettes are the world's most widely smuggled consumer product. According to the World Bank, smuggled cigarettes account for 6%-8.5% of global consumption and the tobacco industry is actively involved in smuggling its products to increase market share and evade billions of dollars in national taxes.

Nearly a fifth of all cigarette production is exported, of which almost one-third – about 355 billion cigarettes a year – finds its way into the contraband market. The European Confederation of Cigarette Dealers (CEDT) has estimated that cigarettes in the black market have about a 10% share of the market in Europe; which is about 60,000 million cigarettes.

Smuggled cigarettes are cheaper as they are not taxed, and low-priced cigarettes help the tobacco multinationals to increase sales across borders and introduce their products in markets that are closed to them because of trade barriers and other restrictions. Smuggling is commonly used as an argument by the tobacco industry to pressure countries to lower taxes. These arguments are both false as well as misleading.

High taxes and price differentials alone do not cause smuggling. Illicit trade in tobacco is caused by lack of controls in tobacco products in international trade, unlicensed distribution, weak enforcement, corruption, organized crime, and in some cases, complicity of the tobacco industry.

In October 2002, the European Union filed a suit against R.J Reynolds and Japan Tobacco (which bought RJR International) for participating in the smuggling of cigarettes into Iraq, breaking the UN trade embargo. The industry continued to use its arguments that higher taxes lead to smuggling and to increase in crime. Tobacco companies seem to be quite committed to combat counterfeit products, as those do interfere with their bottom line, and work with government in those efforts, but continues to deny any and all involvement in contraband, despite documentary

¹ http://www.who.int/gb/EB_WHA/PDF/WHA54/ea54r18.pdf

evidence to the contrary. Such measures on counterfeit took place worldwide, from Nigeria to Malta to Malaysia.

Reports of the EU case against RJ Reynolds continued throughout the month of November and December. R.J. Reynolds continues to deny any involvement in the smuggling and fraud schemes that it has been accused of by the European Union. The industry continues to protest taxes increases using the argument that it leads to an increase in smuggling.

on marketing

The end of 2002 saw several reports of continued heavy industry investment in indirect advertising through sponsorships of music, sports and fashion event throughout the world as well as a trend to invest more in direct marketing techniques, in order to continue to reach potential customers in face of advertising restrictions. In fact, these strategies are related, since one of the major objectives of the industry in the promotion of events is to augment direct mailing lists.

Facing increases in advertising restrictions and bans in the EU and elsewhere, tobacco companies are investing in alternative marketing strategies, such as point of sales and direct marketing, as well as trade mark diversification. The industry continued to develop direct marketing strategies as well as less "visible," indirect advertising through sponsorships in Togo, Canada, United States, and several European countries.

Spending on marketing efforts are increasing as well. In UK alone tobacco companies have reportedly spend 20.6 million pounds on advertising.²

"[British American Tobacco] expects to increase spending on advertising and promotion after the latest standards and guidelines governing the marketing of tobacco products are implemented. The new set of marketing standards, agreed upon last year by the world's three biggest tobacco companies [BAT, Philip Morris and Japan Tobacco International] would be implemented world wide. Since these standards will effectively cut down opportunities available for mass advertising, BAT expects to invest "substantial amounts" on advertising in certain key sectors such as in its point-of-sale (POS) promotions, through one-to-one communications with loyal consumers or simply a higher level of personal contact with consumer"

Sharifah Rozita Syed Sulaiman
British American Tobacco (BAT) corporate
and regulatory affairs director, Malaysia³

Although many common forms of direct advertising such as in print, on the radio and internet, international sponsorship, and free sample distribution are widely restricted, brand promotion through cinema (on screen and in theatres), music, apparel(Camel and more recently Marlboro⁴ have a branded clothing range)point of sales promotion, posters and billboards are fast becoming the new face of advertising. New marketing tactics also include launching entertainment web sites to lure young people into pubs and restaurants that sell their products as well as competitions with trivia questions inside cigarette packets. Smokers are invited to telephone in their answers to win a prize.

Socioeconomic class, age, sex, income even race have defined market segments and inspired sophisticated marketing strategies. A December 2002 report revealed a strategy to "attract more black smokers and neutralize opposition to anti-smoking measures" by cultivating financial ties with major civil rights groups in the U.S., as described in previously secret tobacco company documents. A 1984 memo explains that "Clearly, the sole reason for B&W's interest in the black and Hispanic communities

² Saatchis to produce Silk Cut swansong - The Guardian, December 6, 2002
<http://media.guardian.co.uk/tobaccoads/story/0,7521,855071,00.html>

³ The Star (Malaysia), December 21, 2002

⁴ Saatchis to produce Silk Cut swansong - The Guardian, December 6, 2002
<http://media.guardian.co.uk/tobaccoads/story/0,7521,855071,00.html>

is the actual and potential sales of B&W products within these communities and the profitability of these sales. . . . This relatively small and often tightly knit (minority) community can work to B&W's marketing advantage, if exploited properly"⁵

World No Tobacco Day (WNTD) 2003, 31 May, will focus on marketing issues, among other things, via film and fashion. WNTD celebrations around the world will highlight the use and abuse of film and fashion as industries—and the stars that make these industries move—to sell death and disease.

on corporate social responsibility

Several stories were published in the 4th quarter on activities that aim to improve tobacco companies' corporate image. Many of these activities fall under the heading of corporate social responsibility (CSR), the concept that companies should go beyond their simple business mandate of turning a profit and create and implement projects and programmes that aim to reduce social inequity. For example, these programmes often aim to create or improve health care or educational facilities, provide vocational and management training, enhance the quality of leisure and cultural activities.

Tobacco companies have not missed this trend. Major companies have developed programmes for small business development in Kenya, crime prevention in South Africa, business education in China, folk culture preservation in Venezuela, and medical treatment and flood relief in Pakistan.

Under the glare of national and international scrutiny, the industry's image-makers are now inventing arguments to make the case that tobacco companies can and are contributing to global development—even going as far as to say that public health initiatives work to the contrary by jeopardizing tobacco farmers if tobacco control succeeds. When tobacco companies are not calling themselves socially responsible because they invest in vaccination programmes in the developing world, they claim their CSR work is organic to the process of development.

One field where several tobacco companies have focused their CSR activities is education, often in the form of grants, scholarships, professorships, even the creation of an entire school.

A study recently published in the British Medical Journal details research grants and donations from the tobacco industry as well as senior university governance appointments held by tobacco industry officials. Of 90 universities and 16 medical faculties, 39% had received donations from the tobacco industry. Four of the 16 medical schools had received research grants. Tobacco industry officers and directors were found to hold 26 university related appointments between 1996 and 2001, including posts such as governor, president, chancellor, and director, as well as posts in university affiliated teaching hospitals and in university development and advancement. Dr Fernand Turcotte, of Laval University, one of the study's authors, said "such appointments were scandalous. The tobacco industry infiltrates the universities in this way because of the prestige associated with these institutions." He added "it's a way to buy silence and complacency"⁶

⁵ UCSF study says tobacco companies targeted black groups - Modesto Bee/AP
http://www.modbee.com/state_wire/story/5260891p-6266644c.html

⁶ Addiction to Tobacco: Defining Links between the Tobacco Industry and Canadian Universities and Medical Schools, *BMJ* 2002;325:734 <http://bmj.com/cgi/content/full/325/7367/734/a>

Another attempt to buy academic credibility was BAT's attempt to offer a London School of Hygiene and Tropical Medicine student a £1500 grant as well as the opportunity to work in the company's research and development unit at its Southampton factory on completion of the degree. Professor David Leon, upon learning of the offer told the company "to take its money elsewhere." He replied to the company: "You must think that academics and students in epidemiology are both extremely stupid and mercenary. There is no need to recite to you the responsibility BAT has for millions of deaths as it continues to push tobacco around the world."⁷

Perhaps most remarkable, and most cynical, are those tobacco industry-sponsored programmes that aspire to public health goals. For instance, BAT Bangladesh extended their support to Shandhani Andhatyamochan (Blindness Relief) Lottery organised by Shandhani National Eye Donation Society by purchasing a large quantity of lottery tickets and making a donation to the Shandhani National Eye Donation Society, handing over a cheque at a public ceremony held the BAT factory in Dhaka.⁸ No mention was made of the link between smoking and cataracts, a major cause of blindness. The same factory was the venue for an occupational health workshop for students of Bangladesh University.⁹

In Zimbabwe, BAT recently invested \$6 million in a Harare medical clinic for the company's 400 factory workers. A local paper reported, "The British American Tobacco Company Zimbabwe should therefore be commended for focusing on the health and well being of its employees"¹⁰ This commentary comes less than a year after a Christian Aid investigation of the Brazilian subsidiary of BAT, Souza Cruz, exposed labour practices ranging from alleged price control abuses, to failure to protect workers from pesticides and other hazardous chemicals, to failure to improve conditions where children are forced to labour in tobacco fields to help alleviate family debt.¹¹

These investments to repaint tobacco companies and tobacco company executives as responsible corporate citizens comes in the midst of in-depth investigations and inquiries, based on documentary evidence found among millions of pages of previously secret tobacco industry documents that tell quite a different story.

In an interesting move, Philip Morris, the world's largest tobacco company, started the new year with a new name, Altria, reportedly inspired by the Latin *altus*, "high." In contrast to the company's own explanation of the "corporate identity change" that "reflects important evolutions in [the company's] development," this name change has been hotly criticized as a PR move to distance other Philip Morris companies from the spectre of tobacco. "Philip Morris is banking on the short memory span of consumers and hoping that yet another massive PR campaign will win back a US public that has adamantly rejected its deadly business practices," commented Kathryn Mulvey, Executive Director of Infact, a US-based consumer protection NGO.¹²

⁷ College tells tobacco company to take its money elsewhere, BMJ 2002;325:794
<http://bmj.com/cgi/content/full/325/7368/794/c>

⁸ The Daily Star (Bangladesh), 30 October 2002,
<http://www.dailystarnews.com/200210/30/n2103006.htm#BODY4>

⁹ The Daily Star (Bangladesh), 23 October 2002
<http://www.dailystarnews.com/200210/23/n2102305.htm#BODY13>

¹⁰ The Daily News (Harare), 30 October 2002 <http://allafrica.com/stories/200210300294.html>

¹¹ Hooked on Tobacco, Christian Aid. <http://www.christian-aid.org.uk/indepth/0201bat/bat1.htm>

¹² Phillip Morris Attempts to Distance Itself From Marlboro Man's Global rampage With name change to Altria
Corporate Accountability Activists Say Massive PR Make-Over Won't Fend Off Tough Regulation in Global
Tobacco Treaty, <http://www.infact.org/012703pm.html>

In fact a December Adweek article reported that Philip Morris spent more money in 2001- \$80 million-promoting its good works than on actual assistance.¹³

Perhaps, most paradoxically, at the end of 2000, the University of Nottingham announced the creation of the UK's first International Centre for Corporate Social Responsibility, thanks to a £3.8 million from British American Tobacco. The centre's mandate is to study the social and environmental responsibilities of multi-national companies to the communities in which they operate. In December 2002, the Centre launched its new MBA programme, focusing specifically on CSR issues. Of course, many scholarships are available for this programme.

on tobacco industry monitoring

The tobacco industry monitoring work of WHO is, in part, the result of the findings of several inquiries into tobacco industry activities aimed at undermining tobacco control efforts and weakening public health agendas.

In the summer of 1999, an internal report to Dr Gro Harlem Brundtland, Director-General of the World Health Organization (WHO), suggested that there was evidence in formerly confidential tobacco company documents that tobacco companies had made "efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations." Later that year, she appointed a Committee of Experts to research tobacco company documents which had become publicly available as a result of lawsuits against the tobacco industry in the United States.

That documentary evidence pointed to systematic and global efforts by the tobacco industry to undermine tobacco control policy and research developments.

The Committee found that the tobacco industry regarded the World Health Organization as one of their leading enemies, and that the industry had a planned strategy to "contain, neutralise, reorient" WHO's tobacco control initiatives. Tobacco industry documents show that they carried out their plan by staging events to divert attention from the public health issues raised by tobacco use; attempting to reduce budgets for the scientific and policy activities carried out by WHO; pitting other UN agencies against WHO; seeking to convince developing countries that WHO's tobacco control program was a "First World" agenda carried out at the expense of the developing world; distorting the results of important scientific studies on tobacco; and discrediting WHO as an institution.¹⁴

This findings were the catalyst for efforts in WHO Regional Offices and individual country offices to carry out their own investigations on tobacco industry activities aimed specifically at sabotaging public health work.

¹³ Burnett to Tout PM's New Name, December 17, 2002
http://www.adweek.com/adweek/members/search_results.jsp

¹⁴Tobacco Industry Strategies to Undermine Tobacco Control Activities at the World Health Organization, August 2000. <http://www5.who.int/tobacco/page.cfm?Id=174>

WHO Headquarters was not the only target. In WHO's Eastern Mediterranean Region, tobacco industry activities to weaken public health policy in the Middle East began in the late 1970s, when multinational tobacco companies met regularly to discuss pending regulations and to plot joint strategy. The Middle East Working Group (MEWG), which later became the Middle East Tobacco Association (META), comprised all of the major tobacco multinational operating in the Middle East, and was formed in order to "promote and defend" the interests of these companies in the region--carefully monitoring and seeking to undermine the work of public health officials in the Middle East, including the Arab Gulf Health Ministers' Conference, the World Health Organization and national tobacco control coalitions. The tobacco industry documents show that the companies enlisted prominent political figures in the Middle East to provide information and lobby for them, including an Egyptian member of Parliament, a former Assistant Secretary General of the Arab League and even, at one point, the Secretary General of the GCC Health Ministers who was also the Kuwaiti Under-Secretary for Health.¹⁵

A recent report released by the Pan American Health Organization (echoes these same findings. Transnational tobacco companies planned and executed comprehensive campaigns of deception over the last decade in Latin America and the Caribbean regarding the harmful effects of second-hand smoke and the nature of tobacco company marketing activities. By hiring scientists throughout Latin America and the Caribbean to misrepresent the science linking second-hand smoke to serious diseases and by designing "youth smoking prevention" campaigns and programs primarily as public relations exercises aimed at deterring meaningful regulation of tobacco marketing, tobacco companies sought to delay or avoid tobacco marketing restrictions and restrictions on smoking. Industry documents also show that tobacco companies had detailed knowledge of smuggling networks and markets and actively sought to increase their share of the illegal market by structuring marketing campaigns and distribution routes around them and that they enjoyed access to key government officials and succeeded in weakening or killing tobacco control legislation in a number of countries.¹⁶

All these investigations consistently point to the discrepancy between the measures that tobacco companies internally recognize to be the greatest threats to their sales, and those that they champion in public. For example, companies publicly deny the connection between smoking prevalence and tobacco advertising, but internally acknowledge that advertising bans are a threat to tobacco sales, and a key priority for thwarting regulatory action. Companies constantly insist that they do not market to young people while internal documents clearly demonstrate otherwise.

Similar inquiries and investigations have been done out or are in the process of being carried out in other countries, including Switzerland, Finland, Israel, Syria, Iran, among others . The tactics are expertly adapted to specific country situations and executed solely in the interest of tobacco company profits.

¹⁵ Voice of Truth. <http://www5.who.int/tobacco/repository/tpc48/VoT1-en.pdf>

¹⁶ Profits Over People, Tobacco Industry Activities to Market Cigarettes and Undermine Public Health in Latin America and the Caribbean. <http://www5.who.int/tobacco/page.cfm?id=178>



October 2002

Africa

Niger

There were reports that the Armed Forces Sports Association (AS-FAN) continues to be sponsored by a tobacco company: Melfinco, including the sponsorship of the team at handball championship, through Melfinco's Virginia Star brand. While some efforts are under way to stop sports sponsorship, in the area of music and entertainment, the tobacco industry continues (SITAB and TMC) to sponsor many events unchallenged, despite efforts by advocacy group SOS Tabagisme-Niger.
Source: K. Karim, INFO-TABAC - N° 08 - Septembre 2002

Nigeria

"About ten million sticks of counterfeit cigarette meant for the Nigerian market have been seized in Cotonou, Benin Republic. The fake products which are made up of six million sticks of Rothmans King size cigarette as well as four million sticks of Benson and Hedges were seized by BAT-Nigeria security operatives following a tip-off. The latest seizure comes on the heels of a recent operation carried out in Abidjan, Ivory Coast during which a large consignment of counterfeit cigarettes also meant for the Nigerian market was impounded and destroyed. BAT-Nigeria is taking [growing number of counterfeit cigarettes] seriously. It has created a department dedicated to the tracking down, seizure and destruction of these fake products. Reacting to the seizure in Cotonou, the Managing Director of BAT-Nigeria, Mr Nick Hales said the increase of counterfeit products which find their way into the Nigerian market is hurting the economy as well as depriving Government of huge revenue and this should be checked. ... The seizure, Mr Hales concluded, is an eloquent testimony to the dedication of the [BAT] new anti counterfeiting department.

Source: British American Tobacco Seizes Counterfeit Products - Vanguard (Lagos). October 1, 2002 <http://allafrica.com/stories/200210010099.html>

"The Environmental Rights Action/ Friends of the Earth, Nigeria (ERA/FOE), in a statement issued in Lagos to mark this year's International Week of Resistance to Tobacco Transnational Companies (IWR), lamented that the present government is embracing tobacco investment at a time nations across the world are introducing measures to curb tobacco trade. ... To ERA, government's support for an ultra-modern cigarette plant being built by BAT in Ibadan, Oyo State and the "various special duty concessions" granted the firm in this year's budget and the non-creation of a National Committee For Tobacco Control are indicators that the government has sided with the tobacco multinational corporations."

Source: This Day (Lagos), October 5, 2002 <http://allafrica.com/stories/200210060029.html>

"President Olusegun Obasanjo has commended BAT for its \$150 million investment in Nigeria, described the investment as "significant and a trail blazing initiative which other investors should emulate". Speaking in Abuja when he received top management team of the company, led by its managing director, Mr. Nick Hales, Obasanjo said he was thrilled at the company's manpower development policy as demonstrated in the large number of Nigerians it had sent for a three-month intensive training in South Africa, ahead of next year's commissioning of BAT's state-of-art factory in Ibadan. ... Obasanjo commended the company for showing tremendous interest in the environment by providing tree seedlings to the Federal Ministry of Environment. "Government will always approach BAT for assistance in this regard", he said. BAT Managing Director, had informed Obasanjo that the company was committed to investing in the Nigerian economy as well as working in partnership to regulate the country's tobacco industry. Already, BAT Group, he said, had introduced an international marketing standards which BAT Nigeria Limited would implement in its marketing and promotional activities.

Sources: Tobacco Firm Gets Presidential Pat Over \$150m Investment - This Day (Lagos), October 16, 2002 <http://allafrica.com/stories/200210160522.html>

South Africa

"Remgro Ltd., the fifth- biggest South African company by market value, dropped to a 10- week low after British American Tobacco declined, cutting the value of Remgro's stake in the world's No. 2

tobacco company. ... [BAT] dropped as much as 6.4 percent after a California jury ordered rival Philip Morris Cos. to pay \$28 billion in compensation to a women suffering from lung cancer, the biggest award yet to an individual smoker. Remgro owns about 11 percent of the U.K. tobacco company.”

Source: Bloomberg News. October 7, 2002

http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APaFkkBVsUmVtZ3Jv

“Lawyers for the upmarket Lanzerac Manor and Winery on the outskirts of Stellenbosch ... threatened to seek a court interdict against anti-smoking activist Ken Sheppard. The threat came after Sheppard's Tobacco Control Board laid a criminal complaint against Manor manager Marco Mehdi for allegedly allowing people to smoke "throughout the entire facility". Lanzerac has been chosen by BAT as the venue for a "dialogue session" with what the tobacco giant calls its "stakeholders" on October 28. ... "The law says clearly that the employer, owner, licensee or person in control of a public place, must ensure that no person smokes anywhere other than in a designated smoking area," Sheppard said. "Ms. Beeselaar [representing the hotel] seems to believe the Lanzerac is above the law," he said. "It's not. I await the promised 'trouble' with eager anticipation."

Source: Smoking activist faces interdict. October 18, 2002 <http://iafrica.com/news/sa/176988.htm>

The Sun Times had a feature on BAT new managing director, David Crow: “David Crow does not want his children to smoke. At least until they are 18 years old, the age he believes they can make an informed decision. Furthermore, the new managing director of [BAT-SA] hopes that the SA government will introduce legislation to raise the legal age limit of smoking from 16 to 18. This comes from a man who gave up smoking after developing tongue cancer - a "genetic predisposition" and not as a result of smoking. ... Going from pharmaceuticals to cigarettes, Crow discovered that consumer loyalty to cigarette brands is very high. "Smokers smoke regularly and buy cigarettes regularly. It's also a lot about the brand image that associate with you." BAT's bestseller in South Africa is Peter Stuyvesant. "It is the brand of choice across every demographic measure." ... South Africa's first social report was brought out this year, one of 35 such country-specific publications produced by BAT. As Crow puts it: "For 40 years governments tried to combat smoking. The solution now is for tobacco companies and government to sit down and talk. Either they can deal with legitimate, audited tobacco companies that pay taxes, or they can try to stop organised crime from supplying poor-quality cigarettes on the black market, where no tax is paid." ... Between 1996 and 2001, BAT's revenue rose 37.6% to £25.7-billion while operating profit climbed 58.8% to £2.7-billion.

Source: Newsmaker : David Crow Managing Director, BAT SA. By Gaenor Lipson. <http://www.suntimes.co.za/2002/10/13/business/news/news11.asp>

Uganda

A letter on Ugandan New Vision criticizes an amendment “of the finance bill by the minister of finance to give exemption to Mastermind Uganda, a tobacco firm to enable it import processed tobacco [as reported on The Monitor of September 19]. The letter points out that the amendment is an “encouragement” to smoking and disparate with public health interests.

Source: <http://www.newvision.co.ug/detail.php?mainNewsCategoryId=8&newsCategoryId=21&newsId=87090>

Zimbabwe

“British American Tobacco, the sponsors of the Newbury Design of the Year, the premier fashion designers' competition, have scrapped the annual event. ... Belinda Chidume, BAT marketing manager, said: "We are not holding the Newbury Design of the Year because we are taking a new direction. "I cannot divulge any details about our plans because it is confidential, but just know that the Newbury Designer of the Year has been struck off our calendar." ... The competition will be remembered for the spectacular entertainment on offer and the superlative judges who enabled it to surpass all expectations.”

Source: BAT Scrap Premier Design Competition - The Daily News (Harare), October 2, 2002 <http://allafrica.com/stories/200210020661.html>

BAT “cancelled the annual Communicator of the Year Award ... BAT sponsors the award, which is co-ordinated by the Institute of Public Relations. The award has been running for the past 23 years. Both BAT and ZIPR ... said the event was cancelled because of the circumstances surrounding competition entry conditions. The BAT corporate and regulatory affairs manager, Mr Peter Parirewa

said he was not at liberty to discuss the specifics... The award recognises Zimbabweans who have demonstrated a high level of excellence in communicating information on issues that impact on social and economic development. ... The award also encourages a broad realisation of effective communication. Some of the past recipients of the award include political leaders President Mugabe, Minister of Environment and Tourism Mr Francis Nhema and academics Professor Lovemore Mbigi and Dr Liz Robb of Childline."

Source: BAT Cancels Annual Award - The Herald (Harare), October 3, 2002

<http://allafrica.com/stories/200210030181.html>

"The one-year-old Zimbabwe Association of Tobacco Growers (ZATG), admitted that "new farmers" would not be able, on their own, to produce meaningful yields on their newly acquired properties without substantive cash injections from government and the business community ... "With support from government and the private sector, in the form of financial and technical back-up, nothing should stop us from producing at least 60 to 100 million kilogrammes of tobacco. Most of our farmers do not have equipment, machinery, technical know-how, experience nor financial resources.

Source: Massive Support Needed to Prop Up New Farmers - The Daily News (Harare), October 16, 2002

<http://allafrica.com/stories/200210160111.html>

"Zimbabwe's foreign currency crisis is set to worsen following a 75 percent decline in tobacco exports. ... An overview of the flue-cured tobacco industry presented to the Parliamentary Committee on Agriculture by the Zimbabwe Tobacco Association (ZTA), forecast that earnings from tobacco exports would drop from US\$400 million (Z\$22 billion) in 2000 to US\$105 million next year. ... Zimbabwe is the world's second largest tobacco producer, contributing 20 percent, after Brazil which produces 28 percent of the international market's needs. ULTC [Universal Leaf Tobacco Corporation] said: "The size of Zimbabwe's crop is once again the biggest uncertainty in the upcoming leaf production cycle. The government's continuing land acquisition and redistribution programme has resulted in decreased plantings in each of the past two crops, with a sharply lower crop size in 2002. A further decline is forecast in 2003, with a crop size of only 80 million kg expected." [UTLC] warns that if Zimbabwe's crop size continues to decline, "Brazil is certainly capable of continuing to increase plantings and producing an even larger, higher quality crop, at very attractive prices". The ULTC says: "In fact, Brazil is currently projected to produce a record crop of 576 million kg in 2003, a level believed to be conservative."

Sources: Tobacco Earnings Tumble - The Daily News (Harare), October 15, 2002

<http://allafrica.com/stories/200210150576.html>

Zimbabwe Loses Tobacco Market Share to Brazil, Daily News Says - Bloomberg News, October 16, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APawCPxYMWmltYmFi

Tobacco farming on its knees - News24 (S. Africa), October 24, 2002

http://www.news24.com/News24/Africa/Southern_Africa/0,1113,2-11-40_1275762,00.html

BAT-Zimbabwe "... has strengthened its position as a responsible corporate citizen by investing \$6 million in a staff clinic at the company's factory. Dr David Parirenyatwa, the Minister of Health and Child Welfare, opened the new \$6 million medical facility at BAT's offices in Harare last week. Parirenyatwa said the provision of health facilities at workplaces had become important for the maintenance of the country's economic viability, given the background of the HIV/ Aids pandemic currently ravaging Zimbabwe, and countries in the region. The clinic at BAT offers a wide range of medical services for the company's 400 workers. ... To further strengthen its social responsibility, BAT has also undertaken to contribute 100 percent to all its employees' medical aid facility. After officially opening the clinic, Parirenyatwa presided over BAT's long service award ceremony ... Parirenyatwa urged other companies to emulate BAT in improving the welfare of workers, and recognising employees for loyalty and dedication."

Source: British America Tobacco Builds \$6m Staff Clinic - The Daily News (Harare), October 30, 2002 <http://allafrica.com/stories/200210300294.html>

"Six officials from the tobacco industry leave for Portugal to attend an International Tobacco Association (ITA) annual general meeting, where they are expected to lobby against the World Health Organisation-proposed tobacco controls." The tobacco industry representatives attending the ITA meeting are from the Indigenous Air-cured Tobacco Association, the Zimbabwe Tobacco Association,

the Zimbabwe Association of Tobacco Growers, the Zimbabwe Farmers Union (ZFU)s Virginia Tobacco Association and ZFU Burley Association.

Source: The Daily News (Harare), October 30, 2002 <http://allafrica.com/stories/200210300286.html>

Americas

Brazil

Souza Cruz obtained two more favorable decisions in Brazilian courts, in cases brought against the company by ex-smokers. Of the 288 cases, Souza Cruz won 108, 83 in first instance and 21 after appeal to higher level courts. In 38 cases, there are no more avenues for appeals. On these recent decisions, the judge, from the Rio Grande do Sul state, determined that Souza Cruz's actions are legal, advertising is not deceptive or abusive, and it was the plaintiff's choice to continue to smoke, despite widespread knowledge about the harmful effects of cigarettes, thus the responsibility is not the manufacturer's. The judge in the state of ceara issued similar opinion.

[Note: A great victory for the industry indeed and in sharp contrast with decisions in the recent US cases.]

Source: Antonio Rezende, legal manager, Souza Cruz.

<http://www.maxpressnet.com.br/noticia.asp?TIPO=PA&SQINF=59902>

Canada

The du Maurier Arts Council continued to be very active in the sponsorship of the arts in Canada, expanding its program for young artists. "du Maurier Arts Council president Neil Blanche. "Canadian universities are training a new generation of exceptional artists and the du Maurier Arts Council is proud to lend its support to stimulate the emergence and the public awareness of these highly talented creators"."

This year, 22 "emerging artists representing nine institutes of higher learning located in Quebec and Ontario will share in \$175,200 of funding awarded by the du Maurier Arts Council."

Sources: The deadline to apply for a du Maurier Arts Council grant is rapidly approaching – CNW. October 1, 2002 <http://www.newswire.ca/releases/October2002/01/c6569.html>

La date limite pour déposer une demande de subvention auprès du Conseil des Arts du Maurier approche rapidement – CNW October 1, 2002

<http://www.newswire.ca/releases/October2002/01/c6570.html>

The BMJ reported on a Canadian study: "links between Canada's universities and medical schools and the tobacco industry shows that such institutions receive research grants and donations from the industry and that many tobacco industry officials hold senior university governance appointments." Among other findings: "None of the responding universities had policies that banned funding of research or donations by the tobacco industry", the "average value of 14 industry funded awards was \$C115 100 (£47 000; \$73 000; €47 000)" and that 39% "had actually received donations from the industry, averaging \$C54 500."

Source: Institutional "Addiction" to Tobacco: Defining Links between the Tobacco Industry and Canadian Universities and Medical Schools. <http://bmj.com/cgi/content/full/325/7367/734/a>

David Laudry, western vice-president, Canadian Tobacco Manufacturers' Council, wrote a letter to the editor of the Edmonton Sun, in response to a column calling for the Canadian government to run "American-style anti-tobacco ads ". In his letter, Laudry said "Canadian tobacco manufacturers, unlike their American counterparts, have been regulated by governments for decades. The industry has abided by those rules. Information has been reported and exchanged so government has known what the industry knows about the health risks associated with tobacco. Health warnings were voluntarily placed on Canadian cigarette packages in the early 1970s by the industry. There has been no tobacco product advertising in Canada for over 10 years. There is no tobacco marketing activity aimed at underaged youth. Light and mild products - with lower levels of tar and nicotine, that are now publicly criticized in Health Canada ads - were developed at the express request of the federal government. Industry warned the government at the time that it could make no health claims about these brands. Government attacks on a responsible, regulated industry would not only be inappropriate, they would be factually incorrect."

Source: Edmonton Sun, October 3, 2002 <http://www.canoe.ca/EdmontonSun/editorial.html>

An article described the impact of the pictorial warnings on Canadian cigarette packs and the legal challenges of the tobacco industry against the government. The article quotes industry lawyer Simon V. Potter, representing the industry in the Montreal courts, as saying: "We say the package is a vehicle of expression and insisting on putting these images on, which vilify the product," violates the industry's rights. ... He said that Canada's tobacco industry is "quite happy" to include written health warnings on the packages, but that the pictures and the accompanying text take up too much space and are "unjustifiable."

Source: Canada Hopes Photos Will Coax Smokers To Kick the Habit - Washington Post, October 6, 2002.

<http://www.washingtonpost.com/wp-dyn/articles/A48763-2002Oct5.html>

"The government of Saskatchewan says it intends to keep defending the province's Tobacco Control Act against legal challenges. Health Minister John Nilson says the province has been advised that tobacco giant Rothmans, Benson and Hedges is asking for leave to appeal a recent court ruling. ... Since March, the province's Tobacco Control Act has prohibited the display of cigarettes in retail stores that are accessible to people under the age of 18."

Sources: Saskatchewan won't back down in tobacco fight - CBC News, 12 October 2002

<http://cbc.ca/stories/2002/10/11/sasktobacco021011>

Province will fight appeal of its tobacco law - The (Regina) Leader-Post, October 12, 2002

<http://www.canada.com/search/site/story.asp?id=576901B5-2BCF-4E63-BC87-176E612B6ABA>

Tobacco company to appeal Sask. law restricting cigarette advertising - CP/Leader-Post, October 11, 2002

<http://www.canada.com/search/site/story.asp?id=5FB96B81-B769-4C37-93B1-991E07626E64>

The [Saskatchewan] provincial government's "Tobacco Control Act", combined with the federal "Tobacco Act", have made it almost impossible for Imperial Tobacco Canada to let Saskatchewan adult smokers know that, as of this month, there is a new product available to them, says Christina Donà, manager of media relations for [IT] "In short, the federal law effectively prevents us from announcing any details about this new product, and the Saskatchewan law makes it illegal to even let consumers see its existence when they enter a normal retail store that has decided not to ban access to youth," says Donà. ... Imperial Tobacco Canada has decided not to name the new product. The focus of this press release is the government legislations. However, it should be noted that if this press release was deemed a promotion by federal authorities, it would be in violation of the federal Tobacco Act. Such a violation would render the company liable to a fine of up to \$300,000 per day and any company officer found to "acquiesce" to the promotion would be liable to imprisonment for up to two years, says Donà."

Source: Imperial Tobacco Canada - Consumers Penalized - CNW, October 30, 2002

<http://www.newswire.ca/releases/October2002/30/c6502.html>

<http://www.newswire.ca/releases/October2002/30/c6503.html>

The Chairman, President & C.E.O. of JTI-Macdonald Corp., Michel Poirier, was the guest speaker at the Canadian Club of Montreal, presenting on "Ethics vs. Activists -- The Tobacco Experience". "What was considered as ethical behaviour 10 or 20 years ago may be borderline today -- and could well be grounds for retroactive lawsuits a few years from now," says Mr. Poirier." Poirier said that the "tobacco industry is unfairly depicted as "extremist and untrustworthy" because it remained silent too long in the face of "outrageous" attacks by activists and "vigilante watchdogs," ... and "blasted the industry's detractors, saying "all too often, they offer no facts, no evidence, no proof whatsoever to support what they are saying." ... Poirier denied his company's advertising targets youth and dismissed numerous medical studies - and assertions from Health Canada and the World Health Organization - that second-hand smoke kills. ... Poirier said the tobacco industry is ethical and law-abiding and is marketing a legal product, "enjoyed by 5 million to 6 million Canadians." ... JTI-Macdonald recently took out ads featuring an Export A logo in youth-oriented alternative weekly newspapers to promote the "Extreme Sports Series," which features motocross races, car rallies and rock concerts. When a reporter asked Poirier about the ad campaign, he said it targets 19 to 34 year olds, saying it is legal "sponsorship advertising, not brand advertising." Poirier said it can only "appeal to (younger people) if they see it - and our marketing people take excruciating pains in making sure it is distributed in ways that people under 19 years old don't see it." Asked about such ads on billboards on highways, he noted children don't drive. ... Poirier, asked by a reporter whether it wouldn't be more ethical to try to discourage people from using a life-endangering product, said, "I don't know of any program right now that is successful in reducing smoking in adults."

Source: Tobacco exec blasts critics - The Gazette, October 17, 2002

<http://www.canada.com/montreal/montrealgazette/story.asp?id={B29321AE-9010-4709-A131-E350725EFE8F}>

Les organismes de santé esquivés par le président de JTI-Macdonald - La Presse

http://www.cyberpresse.ca/reseau/actualites/0210/act_102100147407.html

Tobacco exec blasts critics - The Gazette

<http://www.canada.com/montreal/montrealgazette/story.asp?id={B29321AE-9010-4709-A131-E350725EFE8F}>

Ethics vs. Activists: The Tobacco Experience - Michel Poirier, JTI-Macdonald Corp./TBBS

<http://www.tobacco.org/resources/Documents/021016poirier.html>

Les organismes de santé esquivés par le président de JTI-Macdonald - La Presse

http://www.cyberpresse.ca/reseau/actualites/0210/act_102100147407.html

Allocution du président de la Société JTI-Macdonald - Après le tabac, le fast-food et la voiture? - Le Devoir <http://www.ledevoir.com/2002/10/17/11308.html>

La tentative desesperee de l'industrie du tabac de se refaire une image - ADNF/CQCT

<http://www.telbec.com/textes.php?id=20032111&date=2002-10-16>

Blowing smoke - The Gazette, October 25, 2002

<http://www.canada.com/search/story.aspx?id=24188d6b-f783-4486-a792-3341a7608abf>

[Note: this article counters Poirier arguments with tobacco industry quotes]

Tobacco exec doesn't back down - The Gazette, October 23, 2002

<http://www.canada.com/montreal/montrealgazette/columnists/story.asp?id={7AB84A2B-EC94-4C1B-AAB2-560291A9A1EB}>

Ethics vs. Activists: The Tobacco Experience. Notes for a Presentation. By Michel Poirier, Chairman, President & CEO; JTI-Macdonald Corp. To The Canadian Club Montreal, October 16, 2002

<http://www.newswire.ca/releases/October2002/16/c1461.html>

An op-ed in the Halifax (Canada) paper commented on a letter sent by Imperial Tobacco Company of Canada to province legislators. According to the op-ed, the letter stated "By helping enhance the quality of life of Canadians through improved health care for the elderly, increased educational opportunities for young adults and better access to the arts, we are having a positive impact on society as a whole," writes Robert Bexon, [IT] president and chief executive officer." The newspaper writer comments that while "certain programs may have been funded by the Imperial Tobacco Company and targeted at the elderly, the smoking and chewing of tobacco has hurt the health of elderly Nova Scotians substantially more than any band-aid programs the company could ever possibly trumpet."

Source: The spin doctor is in - The (Halifax) Daily News. By Mark Parent, October 17, 2002

<http://www.canada.com/search/story.aspx?id=d0d0e0bb-fb76-4e23-a688-3c77baa8c401>

The Toronto Star published an article about industry music promotions that allow smokers only to attend. These include extremely trendy music groups. "Tickets for the invitation-only event, billed as Icebox: Party On The Move and also featuring local jazz funk ingénue Ivana Santilli and DJ Paul E. Lopez, have been doled out as prizes in a contest sponsored by Imperial Tobacco Canada. The Icebox program, a seven-date national club tour that began in Vancouver Oct. 7 and wraps this weekend in Toronto, is part of a campaign to reintroduce Imperial's Kool brand of tobacco products. ... This direct marketing ploy is not an isolated initiative. Pop-reggae king Shaggy will appear at the York Theatre during his only Canadian date Oct. 25 as part of the Red Seat series to promote Imperial brand du Maurier. ... Cigarette companies have gotten into concert promotion because of stringent provisions of the federal Tobacco Act. Manufacturers can only place ads in newspapers and publications that offer 85 per cent adult readership, advertise through direct mail publications to adults, or advertise in places where children aren't allowed by law and on the sites of sponsored events, as long as the ads are sponsor-related. ... Critics say Imperial is sending a message to non-smokers that if you don't puff, you're not invited to the party. ..."

Source: The art of selling cigarettes - Toronto Star, October 16, 2002

http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_Type1&c=Article&cid=1026146431514&call_page=TS_Entertainment&call_pageid=968867495754&call_pagepath=Entertainment/News&col=969483191630

An Imperial Tobacco warehouse in Vancouver was robbed and more the 7 million cigarettes were taken. Imperial Tobacco issued a press release stating that "this kind of violence and theft is a direct consequence of highly taxed tobacco products" and that because of the high taxes those 7 million

cigarettes were going to be sold in the black market, making the link between high tobacco taxes and increase in crime.

Source: Imperial Tobacco Canada - Armed Robbery Near Vancouver - Over 7 Million Cigarettes Stolen - CNW, October 25, 2002 <http://www.newswire.ca/releases/October2002/25/c5025.html>

Imperial Tobacco Canada - Vol à main armée près de Vancouver - Plus de 7 millions de cigarettes volées - CNW <http://www.newswire.ca/releases/October2002/25/c5300.html>

Imperial links robbery to tax hikes - Vancouver Sun, October 26, 2002

<http://www.canada.com/search/story.aspx?id=9cf35b52-4ed4-46c5-a509-886922311c10>

"Rothmans Inc. has announced a \$5-a-share special dividend while keeping its powder dry for future acquisitions as revenues hold up despite declining cigarette volumes and harsher competition from discounters. ... The company said earnings in its second quarter ended Sept. 30 were \$23.3 million, 70 cents per share, off from \$24.1 million, 73 cents a share, a year ago. Six-month profits were ... up by \$5.5 million ... "Movement to these lower-priced products has been driven by increases in retail selling prices, principally driven by the rapid escalation of tobacco taxes," Rothmans said. "The degree to which consumers will continue to move to discount products is presently unclear."

Source: Rothmans pays \$5-a-share special dividend: sales solid despite discounting - CP, October 30, 2002

<http://www.canada.com/national/story.asp?id={8D52CB9F-5766-43FD-B27B-40A63A721690}>

United States

In a worldwide publicized verdict, a "Los Angeles jury awarded \$850,000 in economic and "pain and suffering" damages to 64-year-old Betty Bullock of Newport Beach, who blamed her tobacco addiction on the company's failure to warn her of the risks of smoking [and who has lung cancer]. The jury found Philip Morris liable for the fraud, negligence and products liability claims in Bullock's lawsuit after deliberating for four hours." A few days later, the same jury ordered "Philip Morris Cos. to pay \$28 billion in punitive damages ... The jury deliberated for about a day and a half in the punitive damages phase of the trial. Shares of U.S. tobacco companies dipped across the board after news of the jury award. William Ohlemeyer, associate general counsel, Philip Morris said: "This jury should have focused on what the plaintiff knew about the health risks of smoking, and whether anything the company ever said or did improperly influenced her decision to smoke or not to quit. ... Instead, it appears that this decision speaks to more general policy issues regarding smoking that can't fairly be decided in lawsuits like this." Philip Morris announced it would appeal the verdict and legal experts expect that the sum will be reduced on appeal. Additional quotes by William Ohlemeyer: "[The jurors] were instructed that punitive damages must bear a reasonable relationship to the compensatory damages, and you know 33,000 times [the ratio of the punitive award to the compensatory damages] is not reasonable." "But as a matter of law, it's illegal, emotional and irrational ... This verdict is so obviously the result of passion and prejudice that it has to be set aside. We're not going to settle. We have the time and we have the inclination to let the appellate courts decide what the law is."

Sources: Tobacco Firms Struggling in West Coast Courts - Los Angeles Times, October 5, 2002

<http://www.latimes.com/business/la-fi-coast5oct05.0.962273.story>

California Jury Awards Smoker \$28 Billion - Washington Post, October 5, 2002; Page A02

<http://www.washingtonpost.com/wp-dyn/articles/A45786-2002Oct4.html>

Stocks Tumble Amid Mixed Jobs Data, Bad Earnings - Fox News/Reuters

<http://www.foxnews.com/story/0,2933,64822,00.html>

L.A. Jury Orders Philip Morris to Pay \$28 Billion - Reuters

http://biz.yahoo.com/rb/021004/tobacco_lawsuit_philipmorris_7.html

Philip Morris Must Pay Smoker \$28 Billion, Jury Says - Bloomberg News

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APZ3s7hT7UGhpbG1w

Philip Morris hit by record damages - BBC News

<http://news.bbc.co.uk/2/hi/business/2300801.stm>

TPLP Announces Los Angeles Jury Rejects New Philip Morris Defense and Issues \$28 Billion Punitive

Philip Morris to appeal \$28 bln punitive verdict - Reuters

http://biz.yahoo.com/rc/021004/tobacco_philipmorris_appeal_1.html

Philip Morris To Appeal Smoking Verdict; Says Result Inconsistent With Facts, Law - Philip Morris

http://www.philipmorris.com/pressroom/press_releases/bullockverdict.asp

L.A. Jury Deliberating in Philip Morris Lawsuit - New York Times/Reuters. October 3, 2002

<http://www.nytimes.com/reuters/news/news-tobacco-philipmorris.html>

Cigarette giant to fight record damages - BBC News, October 5, 2002

<http://news.bbc.co.uk/2/hi/business/2301345.stm>

Are Multiple Punitive Damages Verdicts Overpunishing Big Tobacco? - Findlaw.com

<http://writ.news.findlaw.com/sebok/20021007.html>

Is It Smoke or Fire? - National Law Journal/Law.com

<http://www.law.com/servlet/ContentServer?pagename=OpenMarket/Xcelerate/View&c=LawArticle&cId=1032128730089&t=LawArticleLit>

"Two more lawsuits against tobacco companies have been filed in Los Angeles on the heels of [the] record \$28 billion damages award to a 64-year-old lung cancer sufferer who blamed Philip Morris for failing to warn her against the risks of smoking." The suits were filed in Los Angeles Superior Court, one on behalf of a smoker who died of lung cancer, filed by his wife and children, and one filed a woman stating her lung and brain cancer was caused by more than 40 years of smoking.

Source: Two more tobacco lawsuits filed in Los Angeles - Forbes.com/Reuters, October 8, 2002

<http://www.forbes.com/markets/newswire/2002/10/08/rtr744820.html>

US Smokeless Tobacco Company (USSTC) announced the launch of two new products: Copenhagen Pouches and Skoal Pouches. The new products are described as being "packed full with the moist, rich, premium-quality tobacco adult consumers expect from Copenhagen and Skoal. ... "Our new Skoal and Copenhagen Pouches are uniquely positioned to address the demand from adult consumers for quality tobacco pouch products with authentic flavor and an effective design," said Jill K. Galowitz, USSTC vice president of new products. "This strategic new product launch leverages the Copenhagen and Skoal mega brands to redefine and legitimize the pouch segment and drive category growth." ... The launch will be supported by a print advertising campaign, direct mail and point-of-sale, delivering nearly 100 million adult impressions, while eye-catching retail displays will encourage both awareness and trial."

Source: U.S. Smokeless Tobacco Company. PR Newswire. October 2, 2002

http://biz.yahoo.com/prnews/021002/nyw099_1.html

There continued to be wide media coverage of New York's Mayor Bloomberg efforts to ban smoking in all workplaces, including bars and restaurants. The Mayor's proposal is opposed by the United Restaurant and Liquor Dealers Association, the New York Nightlife Association, by the city chapter of the New York State Restaurant Association, whose vice president stated: "We are not arguing the health issue ... because it is pretty hard to argue that. But we have heard from a lot of employees who understand the risks and are fearful that business will decline drastically and they will lose their job. Maybe that is not good judgment on their part, but they certainly have a right to make that decision." Hotel owners are also concerned: "Our members are telling us that cocktail lounges and bars in their hotels host a great number of visitors from Europe, South America and Asia who insist on smoking," said Joseph E. Spinnato, president of the Hotel Association of New York City ... "They may go elsewhere, causing those cocktail lounges and bars to be less frequented. In that case, the people the legislation is trying to protect may be without jobs."... Brendan McCormick, a spokesman for Philip Morris Companies, which has laid low in this most recent battle, said "a handful" of trade groups and bars had requested money from the tobacco company to help fight the bill. He said the company was "looking at a broad number of requests." In 1994, when the City Council was pondering the current law, the Empire State Restaurant and Tavern Association accepted roughly a half million dollars in aid from the company." In addition, tobacco industry consultant Gio Gori also presented testimony at a hearing stating that there is "no factual evidence" about the harms of second-hand smoke. [Note: As usual, Gori used his former National Cancer Institute appointment to increase credibility.] Another industry-linked group, the Cato Institute, through one of its fellows, Robert Levy, wrote "To put it bluntly, the owner of the property should be able to determine - for good reasons, bad reasons or no reason at all - whether to admit smokers, nonsmokers, neither or both. Customers or employees who object may go elsewhere. They would not be relinquishing any right they ever possessed. By contrast, when a businessman is forced to effect an unwanted smoking policy on his own property, the government violates his rights. ... Mostly, customers rely on common courtesy and mutual respect in adjusting to different surroundings. But nosy, intrusive government has exacerbated the problem. ... It is government, not secondhand smoke, that has poisoned the atmosphere." [Note: these are the standard tobacco industry arguments.] There was long public hearing, but no final decision yet on the Mayor's proposal, and some counter proposals to weaken the ordinance and provide exemptions.

[For studies about the tobacco industry campaign against smoke free workplaces, including restaurants and bars, see www.tobaccoscan.ucsf.edu. There has been no negative economic impact brought by smokefree measures in the hospitality business.]

Sources: Fighting Mayor's Proposed Smoking Ban - New York Times, October 10, 2002

<http://www.nytimes.com/2002/10/10/nyregion/10SMOK.html>

Secondhand smoke: Who do you believe? - New York Daily News

<http://www.nydailynews.com/news/local/v-pfriendly/story/25823p-24408c.html>

<http://www.nypost.com/news/regionalnews/59400.htm>

Anti-Smoke Ads Set Off An Alarm - Newsday, October 10, 2002

<http://www.newsday.com/news/health/ny->

[nysmok102960016oct10.0.2504076.story?coll=ny%2Dhealth%2Dheadlines](http://www.newsday.com/news/health/ny-nysmok102960016oct10.0.2504076.story?coll=ny%2Dhealth%2Dheadlines)

Restaurateurs Should Decide Smoking Issue - Newsday. By Robert A. Levy; October 9, 2002

<http://www.newsday.com/news/opinion/ny-vprlev092958333oct09.0.2297188.story>

Smoking Issue Is Clear: The Other Side's Wrong - New York Times; October 11, 2002

<http://www.nytimes.com/2002/10/11/nyregion/11NYC.html>

In California, Bars Live on Without Their Indoor Smog - New York Times, October 11, 2002

<http://www.nytimes.com/2002/10/11/nyregion/11CALL.html>

Debate Kicks Off on Proposed New York Smoking Ban - Washington Post/Reuters, October 10, 2002

<http://www.washingtonpost.com/wp-dyn/articles/A9141-2002Oct10.html>

Mayor Says New York City Smoking Ban Would Save Lives - Bloomberg News, October 10, 2002.

http://quote.bloomberg.com/fcggi.cgi?T=marketsquote99_news.ht&s=APaX2uRW8TWF5b3Ig

A City Councilman Proposes a Narrower Ban on Smoking - New York Times, October 23, 2002

<http://www.nytimes.com/2002/10/23/nyregion/23SMOK.html>

There has also been reports of criticism by bodega owners of New York's increase in cigarette taxes. Mayor Bloomberg "defended the higher cigarette tax - which bodega owners said was killing their business - insisting it would stop young people from smoking. ... "It's not fair to target one small segment of the New York City retail economy to try to balance the budget," said Richard Lipsky, a lobbyist for small groceries and cig maker Philip Morris. According to Lipsky, 10,000 stores have declared bankruptcy or foreclosed this year - an all-time record high for the city."

Sources: <http://www.nypost.com/news/regionalnews/60356.htm>

Mayor to bodegas: Stop blowing smoke over tax - New York Daily News, October 23, 2002

<http://www.nydailynews.com/news/local/story/29302p-27847c.html>

There were several reports of mayors in other cities, such as Chicago and Boston, as well as some counties, considering following New York's mayor Bloomberg and banning smoking in bars and restaurants as well as other workplaces. "Folks are watching New York," said a member of the American Beverage Licensees, another national bar owners group. "Wherever that line gets drawn, others will likely follow."

Source: Mayor's ban wagon - New York Daily News, October 3, 2002

<http://www.nydailynews.com/10-03-2002/news/story/23752p-22511c.html>

"The U.S. government's racketeering lawsuit against Philip Morris Cos. and other cigarette makers was postponed until September 2004 by a federal judge who said wrangling over pre-trial document exchanges will make a 2003 trial date difficult to meet. U.S. District Judge Gladys Kessler said the Justice Department and the cigarette makers differ over whether some government documents should be given to the companies. Documents from the Federal Trade Commission and the White House "will undoubtedly raise many privilege issues," Kessler wrote. ... The Justice Department, under the Clinton administration, sued in 1999, seeking \$20 billion in damages. The suit claimed the companies, including R.J. Reynolds Tobacco Holdings Inc. and Lorillard Inc., engaged in a 30-year pattern of racketeering to mislead the public and Congress about the risks of smoking. The judge last year threw out U.S. claims to recoup money spent by the government to treat sick smokers through Medicare and other health-care programs.

Source: Tobacco Companies Won't Face Justice Dept. Lawsuit Until 2004 - Bloomberg News, October 3, 2002. http://www.bloomberg.com/fcggi.cgi?T=marketsquote99_news.ht&s=APZtnthTIVG9iYWNj

"The jury in the Miami-Dade county circuit court rejected the claims of Julia Tucker, who claimed that exposure to environmental tobacco smoke while working on flights for more than 20 years caused her chronic sinusitis, Lorillard, the No. 4 U.S. cigarette company, said in a statement. In 1998, flight attendants reached a settlement in a class action suit brought against Big Tobacco. The settlement gave

no money to the flight attendants but allowed nonsmoking attendants to seek compensatory judgments for injuries they claimed were caused by cigarette smoke aboard aircraft.”

Source: Tobacco cos cleared in Miami flight attendant suit – Reuters, October 4, 2002
http://biz.yahoo.com/rc/021004/tobacco_miami_1.html

Philip Morris Says ETS Verdict Backed by the Law and Facts - Business Wire

http://www.businesswire.com/cgi-bin/f_headline.cgi?bw.100402/222772226

R.J. Reynolds Tobacco Company Wins Flight Attendant Case in Florida - PRNewswire-FirstCall

http://biz.yahoo.com/prnews/021004/chf013_1.html

Lorillard Tobacco Company Comments on Verdict In Miami Environmental Tobacco Smoke Case – PRNewswire http://biz.yahoo.com/prnews/021004/chf012_1.html

“The U.S. Supreme Court let stand a ruling that dismissed a constitutional challenge to the \$206 billion 1998 tobacco settlement. Without comment, the high court rejected an appeal by a small tobacco company, Star Scientific Inc., that sought to reinstate the lawsuit the company filed in 2000 over the settlement and a Virginia state law that implemented it. ... The Star lawsuit ... challenged the constitutionality of the Virginia law that requires tobacco companies that did not join the settlement to pay part of their cigarette revenue into an escrow account to cover state claims that could arise against them in the future.”

Source: Challenge to '98 Tobacco Settlement Loses - New York Times/Reuters, October 8, 2002
<http://www.nytimes.com/reuters/business/business-court-tobacco.html>

“A consortium of tobacco companies, including ... Brown & Williamson [and JTI International USA, Lane Ltd., Liggett Group, S&M Brands Inc. and WindRiver Tobacco] has teamed with retailers to create... Retail Rights, [to lobby] state legislatures to pass laws that would prohibit cigarette manufacturers from being able to use promotional fees on top of the merchandising payments they make to retailers for space and signs. The supporters of Retail Rights contend that larger tobacco companies are able to use their financial muscle to the point that smaller companies are being squeezed off some retailers' shelves.”

Source: Louisville (KY) Courier-Journal, October 6, 2002

<http://www.courier-journal.com/localnews/2002/10/06/ke100602s289864.htm>

PR Newswire http://biz.yahoo.com/prnews/021006/chsu001_1.html

AP, October 7, 2002 <http://www.kentucky.com/mld/kentucky/4228713.htm>

“A report prepared for a Phoenix think tank that opposes Proposition 303 concluded that a 60 percent increase in taxes on cigarettes would lead to an increase in smuggling and would drain police resources. Robert Levy, a scholar with the Washington, D.C.-based Cato Institute, argues in his analysis of the measure that the tobacco tax would encourage black markets and keep the Department of Public Safety busy combing the back roads of Arizona looking for contraband cigarettes. “Higher tobacco taxes are an incitement to criminal trafficking and wrongheaded economics,” said Levy in a paper prepared for the Phoenix-based Goldwater Institute.” [Note: The Cato Institute has many links with the tobacco industry and often releases industry-friendly reports on a series of tobacco control policy issues.]

Source: <http://www.azcentral.com/news/articles/1008running08.html>

“A major maker of smokeless tobacco has settled a lawsuit by a former customer who contracted tongue cancer, in what could be the first time a tobacco company has agreed to pay an individual for injuries said to be caused by its products. The manufacturer, UST Inc., which is based in Greenwich, Conn., has reached an unspecified “resolution” with the former customer, Michael L. McMullin [29 years old] ... Cigarette manufacturers have never settled a case with an individual smoker, to prevent an influx of new claims ... “If we believed there was a substantial pool of plaintiffs out there, then I think we might have come to a different decision,” said UST’s chairman and chief executive, Vincent A. Gierer Jr. Although no terms of the settlement were disclosed, Richard H. Verheij, UST’s general counsel and executive vice president, said the “outcome provides for payment of attorneys’ fees and other expenses.”

Sources: Smokeless-Tobacco Suit Settled, October 12, 2002. UST’s press release is available at:

http://biz.yahoo.com/djus/021011/1709000744_2.html

Company Agrees to Settle Suit Brought by Former Snuff User - New York Times/AP, October 13, 2002 <http://www.nytimes.com/2002/10/13/national/13SNUF.html>

"UST Inc. announced that third quarter 2002 net sales increased 10.8 percent to \$451.3 million, net earnings increased 5.1 percent to \$130.5 million ...compared to the corresponding 2001 period. ... The increase in third quarter selling, advertising and administrative expense is attributable to higher legal and related costs, marketing and administrative expenses. "Our business continues to grow in a difficult economic environment," said Vincent A. Gierer, Jr., UST chairman and chief executive officer. "The Company remains on track to post record results for the year in net sales and net earnings."

Source: PR Newswire ; October 18, 2002 http://biz.yahoo.com/prnews/021018/nvf011_1.html

"Tobacco holding company Vector Group Ltd. ... lowered full-year 2002 operating income guidance for its Liggett cigarette unit to a range of \$110 million to \$115 million from the prior range of \$120 million to \$125 million. Vector attributed the reduction to lower sales of its premium-priced cigarettes and increased promotional spending on its premium brands driven primarily by weak economic conditions, substantial excise tax increases in many states, and significant promotional and pricing activity from the major U.S. cigarette manufacturers. Other factors cited by Vector include increased proliferation of illegally sold cigarettes and volume growth of manufacturers that are not complying with terms of the 1998 Master Settlement Agreement between 46 states and the major U.S. tobacco companies."

Sources: Source: Reuters, October 14, 2002
http://biz.yahoo.com/rc/021014/tobacco_vector_outlook_1.html
Business Wire http://biz.yahoo.com/bw/021014/142416_1.html

At a time where prize brands are struggling against the generic cigarette markets, a "Miami-based generic cigarette maker Trademark Holdings Corp. faced a tough choice recently: Cease production of its new and profitable Cowboys brand cigarettes -- which are packaged with the image of a cowboy astride a horse -- or shoot it out with Philip Morris U.S.A. in an intellectual property lawsuit. ... [Philip Morris] claimed that the cowboy logo infringes on the tobacco giant's famous Marlboro man trademark. The letter demanded that Miami-based Sun Tobacco, which imports the cigarettes from South America for Trademark, immediately stop sales and distribution of Cowboys and destroy all cigarettes in its inventory ... Trademark chose to fight. It continued supplying distributors nationally with Cowboys cigarettes. And on Aug. 16, it filed a lawsuit in U.S. District Court in Miami seeking a declaratory judgment that its use of the Cowboys name and caballero image does not infringe on Philip Morris' intellectual property. ... In response, [Philip Morris] filed counterclaims and a third-party complaint in the same court, alleging that Trademark's Cowboys brand, along with its Bronco and Silver lines, infringed on the company's intellectual property rights."

Spource: Miami Cigarette Maker Faces Marlboro Man in Court. Miami Daily Business Review; October 21, 2002 <http://www.law.com/jsp/article.jsp?id=1032128783264>

Tobacco Showdown - Convenience Store News

http://www.csnews.com/csnews/headlines/article_display.jsp?vnu_content_id=1747242

"The New York Times reports that President George W. Bush's nominee for commissioner of food and drugs, Dr. Mark B. McClellan, "believes tobacco is an "avoidable health risk," [but] he does not intend to tackle the contentious issue of whether the Food and Drug Administration [FDA] should regulate cigarettes ... Dr. McClellan, who is 39, will assume control of a vast agency with a \$1.6 billion budget and the authority to regulate products that account for 20 cents of every consumer dollar spent. ... Asked whether he would support FDA regulation of tobacco, a crackdown the agency attempted in the mid-1990s, McClellan responded that the US Supreme Court had ruled that the FDA lacks that authority. ..."

Source: Stan Shatenstein's News & Information. Brief and Cordial Confirmation Hearing for F.D.A. Nominee - New York Times <http://www.nytimes.com/2002/10/07/politics/07CND-FDA.html>

Kennedy endorses FDA pick - Boston Globe/AP

http://www.boston.com/dailyglobe2/281/nation/Kennedy_endorses_FDA_pick+.shtml

"R.J. Reynolds Tobacco Holdings Inc., the No. 2 U.S. cigarette maker, may follow top rival Philip Morris Cos. by cutting forecasts again and boosting spending to fend off discount brands, analysts said. ... The number of cigarettes shipped by R.J. Reynolds to U.S. retailers declined 2.5 percent in the second quarter, the company said."

Source: Bloomberg News. October 6, 2002

http://www.bloomberg.com/fcgi.cgi?T=marketsquote99_news.ht&s=APaA2KRY1Ui5KLiBS

"...R.J. Reynolds, Philip Morris Cos., British American Tobacco Plc, and other tobacco companies and their trade associations in California spent \$449,755 lobbying state lawmakers during the second quarter that ended June 30, up 18 percent from the previous quarter, according to the study by the California chapter [Common Cause] ... California lawmakers in August rejected proposals to increase the per-pack sales tax on cigarettes."

Sources: Bloomberg News, October 16, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APa3TfxWDVG9iYWNj

Common Cause <http://commoncause.org/states/california/archives/oct-02tabacco.html>

Tobacco money spreads in capital, group says. October 17, 2002. Press Enterprise

http://www.pe.com/localnews/stories/PE_NEWS_nasmoke17.a16bc.html

"The maker of Skoal, Copenhagen and Rooster brand smokeless tobacco has agreed not to hand out free samples on public grounds in California, and to reimburse the state \$171,000. U.S. Smokeless Tobacco Co. was giving away the samples at fairs where there were minors, violating state law, Attorney General Bill Lockyer alleged in a civil lawsuit. The company denies the allegations in its settlement, saying it gave away about 1,400 samples at two adults-only events and thought it was in compliance with state law. Both sides said they settled to avoid the cost and delay of litigation."

Sources: Tobacco Co. To Halt Samples - Newsday/AP, October 17, 2002

<http://caag.state.ca.us/newsalerts/2002/02-120.pdf>

<http://www.newsday.com/business/investing/wire/sns-ap-smokeless->

Philip Morris sponsored the "Seventh Annual Corporate Conference on Domestic Violence Awareness Presented by Philip Morris Companies Inc., the New York Women's Agenda, and the Corporate Alliance to End Partner Violence" where more than "400 business, community and government leaders will meet ... to develop solutions that address the negative impact domestic abuse has on U.S. business and strengthen services employers can provide to help workers affected by this serious crime."

Source: PR Newswire, October 22, 2002 <http://tbutton.prnswire.com/prn/11690X18984770>

A recent study by the Center for Responsive Politics showed that "the top 100 donors in U.S. politics, including the three tobacco companies [Philip Morris USA, R.J. Reynolds Tobacco Co. and its one-time subsidiary R.J.R. Nabisco, and the parent company of U.S. Smokeless Tobacco Co.], gave more than \$1 billion to federal candidates and political parties during the 14-year period." The tobacco industry contributed \$36.8 million to federal candidates and political parties since 1989. The study also state that "Philip Morris has also been the leading overall campaign contributor to Republicans in federal elections since 1989, giving \$14,300,228. Philip Morris ... is the leading campaign contributor to Republicans in federal elections during the 2001-02 election cycle, giving \$2,666,163 (as of October 2). Philip Morris also gave \$537,638 to Democrats during the 2001-02 cycle."

Source: Tobacco money a mainstay in politics - Winston-Salem Journal, October 23, 2002

<http://www.journalnow.com/ws/MGBLHU4QM7D.html>

Tobacco Industry Gave More Than \$7.3 Million in Federal Political Contributions To Date in 2001-2002 Election Cycle - CTFK

<http://story.news.yahoo.com/news?tmpl=story&u=/021022/180/2hv24.html>

Blue Chip Investors: The 100 Biggest Donors to Federal Elections - Center for Responsive Politics

<http://www.opensecrets.org/pubs/toporgs/index.asp>

<http://www.opensecrets.org/pubs/toporgs/appendix.asp>

<http://www.opensecrets.org/orgs/list.asp?Order=A&View=P>

Lorillard Tobacco Company, a unit of the Loews Corporation that makes brands like Newport and Kent, is suing the American Legacy Foundation in a North Carolina court saying hat the foundation's media campaign, Truth, vilify the tobacco companies. "Other companies have used letters, phone calls and e-mail messages to make it known that they are not pleased. "We need to communicate positive messages about why youth should not smoke," said Steven C. Watson, a Lorillard spokesman. "It's wrong to attack our company."... Tobacco company officials argue that their own programs, like Philip Morris's "Think. Don't Smoke." and Lorillard's "Tobacco Is Whacko if You're a Teen," have contributed to the decline [in youth smoking]. ... Lorillard is asking not for money but for a clarification of the [Master Settlement Agreement terms]." Philip Morris and R.J. Reynolds have protested similar campaigns in California and Florida

Source: Cigarette Makers Take Anti-Smoking Ads Personally - New York Times, October 27, 2002

<http://www.nytimes.com/2002/10/27/business/yourmoney/27TOBA.html>

United States/Canada

"The Bush administration has bluntly told Canada it is not welcome to sue big tobacco in U.S. courts. In a legal brief filed quietly in the U.S. Supreme Court, Washington argues that Canada should use its own courts if it wants to pursue the U.S.-based R.J. Reynolds tobacco empire for tax revenues the Canadian government claims it lost due to alleged cigarette smuggling in the early 1990s.... The American administration urges the Supreme Court to reject Canada's last-ditch bid to revive its novel \$1-billion US civil suit under U.S. federal anti-racketeering laws which was thrown out last year by the Second Circuit Court of Appeals in Manhattan."

Source: U.S. wants Canadian court to pursue tobacco giant - Southam News/Vancouver Sun, October 12, 2002 <http://www.canada.com/search/site/story.asp?id=AC040354-FB53-4941-AF13-98DEB002C9C6>

Eastern Mediterranean

Iran

"The Iranian cabinet has drafted a bill which would end the state monopoly on tobacco sales, opening up the market to private manufacturers ..."

Source: IranMania.com

<http://www.iranmania.com/news/ArticleView/Default.asp?NewsCode=12476&NewsKind=BusinessEconomy&ArchiveNews=Yes>

Morocco

"The Moroccan state-owned tobacco company has sold in 2001 a total of 14.2bn cigarettes and posted a turnover of 8.89bn Moroccan dirhams (838.6m US dollars), compared to 8.42bn dirhams (794.3m dollars) in 2000. ... The sale of locally-made cigarettes, representing 86 per cent of the market, was worth 12.2bn dirhams (1.15bn dollars), posting a 3 per cent compared to the previous year.

Source: MAP news agency web site, October 12, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021012670.2_f45600022e2a438a

Pakistan

"Pakistan Tobacco Company Limited had managed to swing back to a profit of Rs354 million in 2001, after six years of serial losses. ... Pre-tax profit, nonetheless, rose sharply by 175 per cent to Rs417 million, from Rs152 million and after tax profit showed growth of 92 per cent to Rs248 million, from Rs129 million. "Effective cost management, improvement in company's brand mix, stable exchange rates, and price increases during the second half of 2001, have helped to achieve these remarkable results," directors claimed in their half term review. ... New products introduced during the past two years accounted for 33 per cent of PTC's sales during the six months under review, which the company said was unparalleled performance in new product innovation in the cigarette industry. The company has continued to claim that four out of the five top selling brands in Pakistan, are those of PTC.... For PTC, it isn't still a smooth journey. "We reiterate that tax evading sector remains a major threat to the government revenue and to our business," directors complain in their half term report, adding that the steps taken by the government in the past to check evasion had been encouraging.

Source: <http://www.dawn.com/2002/10/10/ebr8.htm>

Europe

Belgium

There were several accounts of the cancellation of the 2003 Belgian Grand Prix (of Formula 1 race) given that Belgian legislation banned advertising and did not make an exception for F-1 sponsorship. Five F1 teams -- world champion Ferrari, McLaren, Renault, Jordan and British American Racing -- have tobacco sponsorship and F-1 governing body, FIA, agreed to stop all tobacco sponsorship by 2006. FIA said it would reconsider adding Belgium to the calendar for 2004, given that the circuit is one of racers and fans favorite, if government enacts an exemption.

Sources: F1-Belgian Grand Prix on if tobacco adverts out - Reuters

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1520778>
Tobacco sponsorship banned in Belgium - ESPN/Reuters, October 25
<http://espn.go.com/rpm/f1/2002/1025/1450936.html>
Belgian Grand Prix set to be axed - Reuters
<http://www.reuters.co.uk/newsArticle.jhtml?sessionid=LVL00JCQX013ACRBAEZSFFA?type=sportsNews&storyID=1634043>
Formula One hits back in tobacco row - Reuters, October 30, 2002
<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1654578>
Agence France Presse (AFP), October 30, 2002
http://sport.news.com.au/common/story_page/0,4057,5388713%255E9969,00.html

Czech Republic

"Up to 2.5 billion cigarettes will be imported illegally this year, according to Richard Vavrik, managing director of Reemtsma, which sells the West and Davidoff brands. Customs officials say the figure is lower -- up to 1 billion -- but they admit they are having a tough time stemming the flow of contraband. ... Manufacturers and customs officials say tobacco tax increases and insufficient investment at the nation's borders is causing the trade ... Ian Ferguson, chairman of Philip Morris CR, which has an 83 percent market share in this country, said he has not noticed any increases in smuggling this year. He said the question of future increases would depend on border controls, which he said were sufficient. But Reemtsma's Vavrik said the Customs Service had failed to crack down on informal street markets near the German and Austrian borders, which he said were responsible for the sale of more than half of the smuggled cigarettes. "The biggest problems are the marketplaces. They are selling brands that are not even made here," Vavrik said. ... Philip Morris CR and Reemtsma both denied they were involved in smuggling in this country, at least not actively. "You can complain that tobacco companies are selling to 'difficult' customers, let us put it like that. And you can imagine that the cigarettes will come back. But there is, for sure, never such a thing as a tobacco company involved in active smuggling," Vavrik said. ... Customs Service statistics reveal major cigarette exports this year to Slovakia, which depends on manufacturers here for supplies, and to Belgium, which has well-developed factories of its own and does not consume Czech cigarettes, according to Reemtsma's Vavrik.

Source: Tobacco smuggling on the rise - Prague Post, October 23, 2002
<http://www.praguepost.com/P03/2002/Art/1023/busi4.php>

France

Marlboro signed a partnership contract with Peugeot, valid until 2006, when tobacco advertising in car racing will stop. Peugeot cars will be colored red and white, and the company will receive US\$ 2 million for the deal. The team will be called Marlboro Peugeot Total. Corrado Provera, head of the French team, said that being contacted by Marlboro gave the Peugeot team a great sense of pride and that with the deal they will become a more popular "window" than they would ever be without the association with Marlboro.

Source: Peugeot et Marlboro liés jusqu'en 2006 - Le Monde, October 8, 2002
<http://www.lemonde.fr/article/0,5987,3242--293229-,00.html>

Germany

"German chancellor Gerhard Schroeder said tax "privileges" and subsidies in general need to be reduced due to an expected decline in fiscal revenues but there are no plans to raise tobacco taxes... Schroeder said: "We're not thinking of increasing the tobacco tax and I don't expect these proposals - independent of an evaluation of its substance - to have a chance of being realised." This despite earlier reports that the Ministry of Health and other Cabinet level member favored a tobacco tax increase. The news must have been well received by the head of the Labor Union for Food, Enjoyment and Restaurants, who had warned that such a tax increase would destroy about 50,000 jobs, or every fourth job in the German tobacco industry.

Source: Schroeder says tax 'privileges' must be cut, but tobacco tax won't be raised - Ananova
http://www.ananova.com/business/story/sm_681233.html?menu=business.latestheadlines
Ohne scharfe Schnitte leidet der Patient, 30 Septembre 2002, Trierischer Volksfreund
<http://www.intrinet.de/news/hintergrund/164559.php3>

German government parties play down talk of broad tax hikes as coalition talks get under way, 30
Septembre 2002, Yahoo News,
http://story.news.yahoo.com/news?tmpl=story&u=/ap/20020930/ap_wo_en_po/germany_new_government_7

Bundesaerztekammer (German Medical Association) press release, 27 Septembre 2002,
<http://www.bundesaerztekammer.de/25/20020927/200209272.html>
http://story.news.yahoo.com/news?tmpl=story&u=/nm/20021003/hl_nm/germany_cigarette_dc_1

The Lancet published a letter exchange addressing issues related to the German's government position in tobacco control: "...Unfortunately, industry links with government seem to have continued since Kohl left office. Tobacco-industry journals still describe Germany as a strong supporter of the tobacco industry. ... The government has attracted further ridicule by accepting €11.8 million of industry funding for a 5-year tobacco-control programme⁴ that purports to prevent children and adolescents from smoking. ... Moreover, the industry contract with the German government explicitly stipulates that the cigarette industry, their products, or cigarette trading must not be discriminated against, and adult smokers must not be denigrated, precluding the campaign from preventing youth smoking. By Anna Gilmore, Ellen Nolte, Martin McKee, Jeff Collin.

Reply from the Drug Commissioner of the German Federal Government

"Anna Gilmore and colleagues misrepresent the German Federal Government's contract with the cigarette industry and make exaggerated political insinuations and assumptions. I protest on behalf of the German Federal Government against these accusations. ... The industry constitutes a financial building block within the framework of a national prevention fund to which, alongside the statutory health insurance funds and affected organisations, it is expected to make a contribution. The contract is open for public perusal on the internet. ... Germany seeks also to introduce additional more stringent regulations on smoking. The Protection of Young People in Public Act now includes a ban on the distribution of tobacco products to people younger than age 16 years. Also cigarette vending machines must be secured to prevent access for this age group. Advertisements for tobacco and alcoholic beverages cannot be shown in cinemas before 1800 h. Under the new Work Place Ordinance, employees will be granted a legal right to have a smoke-free workplace. By Marion Caspers-Merk

Source: Continuing influence of tobacco industry in Germany - The Lancet

Volume 360, Number 9341, 19 October 2002

<http://www.thelancet.com/journal/vol360/iss9341/full/lan.360.9341.correspondence.22788.1>

The German advertising agency HSB&K is developing a youth smoking prevention program for Philip Morris, targeting children 8 to 14 years old. The campaign will include ads in all medias, at sports events and on the Internet. The Internet campaign will be called "School Sports year" and the campaign slogan is "Strong kids don't smoke." Philip Morris name is not mentioned anywhere in the campaign.

Source: "HSB&K entwickelt RaucherPrventionskampagne", 16 Octobre 2002

www.horizon.net/archiv/horizont_net/pages/show.prl?id=40374

Greece

"Greek bar owners will escape the full effects of a smoking ban after the country's government pledged to balance health concerns with the rights of smokers. ... The Greek government has agreed to exempt pubs, bars and nightclubs from a ban that will stop people lighting up in public. ... The speaker of the Greek parliament, Apostolos Kaklamanis, said the country, which tops the EU smoking league with 45 per cent of the population regularly lighting up, wanted to avoid "the extremes seen in other countries" where bans have severely hit pub and bar trade. He cited the US, where he said "smokers feel like the dregs of society". As a result, bars and nightclubs which only open in the evening, along with traditional coffee shops where smoking is part of the culture, will be exempt from the ban. Other bars and restaurants will have to make 50 per cent of their premises non-smoking.

[Note: partial bans like these do not improve health of patrons or hospitality workers.]

Source: Greek smoking laws give hope to UK pub trade - The Publican. October 3, 2002

<http://www.thepublican.com/cgi-bin/item.cgi?id=7415&d=11&u=3a3cB43&m=255>

Hungary

"Satisfying the Magyar nicotine taste buds, keeping the peace between smokers and anti-smokers and running a successful business that has won international acclaim is all in a day's work for the head of

Hungary's market-leading tobacco manufacturer. "When talking of human values I am a down-to-earth Scotsman from the west coast of Scotland," said John Paterson, 41, General Manager of British-American Tobacco Magyarország Kft (BAT). ... "BAT came to Hungary 10 years ago and without a doubt has become one of the group's most successful acquisitions since the [Berlin] Wall came down. ... Hungary does have an anti-tobacco lobby, but perhaps it is less vocal than in other countries," he said. To balance the bill he explained that BAT was among the first companies in Hungary and Europe to prepare a "social report" (addressing the social issues surrounding smoking) based on social dialogue, initiated last fall. ... Paterson said that since cigarette advertising was no longer allowed in newspapers and magazines, the company spent less on traditional marketing and had shifted towards personalized one-to-one marketing, for example through the Internet. ... To improve relations between smokers and non-smokers, BAT is supporting an initiative to help set up special smoking rooms within companies. "This is another way for BAT to help employees meet legal requirements," he said. He explained that the rooms had a positive impact for a number of reasons. "They are places where people meet people," he said. ... He added that any attempt by BAT to discourage minors from smoking and unhealthy living would be viewed as hypocritical by the public and that was why BAT did so through a third party. "We had to commission a third partner," he said. "In some respects in this area we are ahead of legislation and strictly-enforced international guidelines." ... BAT produces more than 25 types of cigarette, with its flagship brand Sopianae the market leader in Hungary. The company has a 40% total market share... BAT also sells a range of international brands including Pall Mall, Kent, Lucky Strike and Dunhill. After the recent flooding of the Danube river, the company contributed Ft10 million (\$40,000) towards restoration of the damaged to the Gemenc Forest and Game Park. About a month ago the research group Hewitt Inside carried out a survey of the best workplaces in Hungary which placed BAT second, based on employee satisfaction, flexibility and wages.

Source: BAT blazing a trail in Hungary - Budapest Sun, October 10, 2002 - Volume X, Issue 41
http://www.budapestsun.com/full_story.asp?ArticleId={A4985F2E71994DAD983501DF55208057}&From=Business

Italy

"Ente Tabacchi Italiani's eight bidders will probably pass to the next round in the government's selection of a buyer for Italy's cigarette maker, MF reported, without citing anyone. British American Tobacco, the Benetton family, Swedish Match and the other bidders will sign agreements on Oct. 23 that will give them the right to see information on ETI's finances, the newspaper said. Non-binding offers must be made before the end of November ... ETI's buyer will gain a dominant position in a 13 billion- euro tobacco market, second in Europe to Germany."

Source: Bloomberg News, October 16, 2002

http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APa0TDhTTRW50ZSBU

Malta

A container-load of counterfeit cigarettes intercepted by [Malta] Customs officials. In response to the increase in counterfeit cigarettes, the Central Cigarettes Company Ltd placed a full page ad in the local newspaper saying "Do not be part of a criminal act. Do not help criminals get richer". Central Cigarettes, the maker of Rothmans, Dunhill and Royals, has approximately 90% of the market in Malta. ... "Central Cigarettes general manager Ronnie Abela said his company was working hand in hand with the police and the Customs Department to intercept counterfeit cigarettes. Mr Abela said the vast majority of these cigarettes were being sold "under the counter", though in one instance one particular wholesaler placed counterfeit packets in a vending machine. ... The Customs department spokesman said the majority of fake cigarettes seized this year were being passed off as Rothmans. ... Last June, Central Cigarettes organised a seminar for Customs and police on counterfeit cigarettes and contraband."

Source: Counterfeit cigarettes. Customs on high alert - The Times (Malta). October 1, 2002 by Herman Grech <http://www.timesofmalta.com/core/article.php?id=109820>

Poland

Poland increased duty on imports of tobacco in an effort to boost the domestic tobacco industry and assist tobacco growers. "We don't know what the real reason behind this is, but it goes against the idea of an effective two-way dialogue," said Marco Terribilini, the president of U.S. tobacco firm Philip Morris in Poland. "We have invested tens of millions of zloty with our farmers to develop the local

agronomy and to improve the tobaccos grown in Poland.” ... [The] quantities of tobacco cigarette makers buy from domestic growers are not determined by the prices of imports, but by the blend composition of their products, tobacco makers argue. Since blends must remain constant to maintain consistent quality, Philip Morris, which currently buys around 50% of Polish tobacco production, will not substitute tobacco imports for domestic tobacco, Terribilini said. ... In the worst scenario the duty will actually lead to a decline in the sales of cigarettes made in Poland, further depressing demand for domestically grown tobacco.

“The danger is that if the new duty level leads to an increase in prices, it will widen the price gap between cigarettes manufactured in Poland and illegal imports,” said Jerzy Skiba, the project manager at the National Tobacco Industry Association (KSPT). He added that sales of smuggled cigarettes have remained at 2001 levels this year, representing around 20% of Polish cigarette sales, according to KSPT research.”

Source: Tobacco profits up in smoke after tax hike - Warsaw Business Journal, October 7, 2002
<http://www.wbj.pl/user/article.asp?ArticleID=161114>

Russia

“Russia is expected to import about 5 billion cigarettes this year, a 30 percent decline from 2001, the U.S. Department of Agriculture said in a report. ... Imports have declined because most Western brands have moved production to Russia to avoid import tariffs.”

Source: Moscow Times; October 7, 2002 <http://www.moscowtimes.ru/stories/2002/10/07/061.html>

Serbia

“Philip Morris said it was interested in purchasing Serbia's largest tobacco plant which is due to be privatised early next year. Philip Morris International has submitted a letter of interest for the plant, Duvanska Industrija Nis (DIN), general manager for south central Europe Alain Jonis said. ... Tenders for the plants are expected to be invited by the end of the year, according to earlier reports in local media which named British American Tobacco and Japan Tobacco International as companies also expressing interest in the biggest plant. “We believe we will have indeed a good chance, Philip Morris is the worldwide leader in the cigarette business, DIN is the leader in the cigarette business in Serbia, and we believe there is room for great partnership between these two companies,” Jonis said. ... In August, Philip Morris International opened a local company in Belgrade which will for the moment import the original Marlboro brand, hoping eventually to produce it locally if the purchase of DIN succeeds.”

Source: Philip Morris eyes Serbian tobacco plant – Reuters, October 10, 2002
http://biz.yahoo.com/rc/021010/tobacco_yugoslavia_privatisation_1.html

Spain

It was reported that Philip Morris, which currently has promotions (to win trips, cars, motorcycles, among other prizes) related to three of its brands (LM, Chesterfield and Marlboro), has encountered a problem in La Rioja. PM states that the contests to win are for smokers 18 years or older only, living in Spain, except in La Rioja. The exception is because of a local legislation banning such tobacco promotions. Alfonso de las Heras, PM's Corporate Relations, stated that this is the first time that a region is excluded from these promotions, but it is impossible to avoid that coupons arrive at the region (coupons are distributed in the cigarette packs), since packs are produced to be distributed country-wide. PM requested a meeting, not yet granted, with the Health authorities to review the law, which the company states, is not clear.

Source: Una Ley impide a los riojanos acceder a concursos de tabaco. October 8, 2002
<http://servicios.elcorreodigital.com/alava/pg021008/prensa/noticias/Rioja/200210/08/VIZ-RIO-099.html>

To comply with the EU directive on tobacco products labeling, Spain adopted new warnings on cigarette packs, to be implemented September 2003, but left it to the industry to choose the wording of the warnings. The industry will have the choice of weaker warnings. For example, instead of “smoking kills”, the industry can use “smoking may kill”, preceded by a “the health authorities warn”. Tobacco companies also decided not to include pictorial warnings as it is used in Brazil and Canada. But the Spain measure does ban the use of descriptors such as “lights” and “mild”. The director of the Spanish tobacco manufacturers associations said that the industry will collaborate with the government in

implementing the new measures. The Spanish health authorities also announced that they are expecting approval of the comprehensive tobacco control plan that includes accommodation of smokers and non-smokers in workplaces.

Sources: La Vanguardia; October 20, 2002

http://www.lavanguardia.es/cgi-bin/noti_print.pl?dia=19_10&link=vb1942a&sec=soc

Las tabacaleras tendrán que hacer públicos sus estudios sobre adicción - El País; October 19, 2002

http://www.elpais.es/articulo.html?d_date=20021019&xref=20021019elpepisoc_3&type=Tes&anchor=elpepisoc

El tabaco tendrá menos nicotina a partir de 2004 y las cajetillas avisarán que fumar mata - ABC, October 19, 2002 <http://abc.es/Sociedad/noticia.asp?id=136873&dia=19102002>

Sanidad permite a las tabaqueras suavizar el mensaje de advertencia en las cajetillas - La Vanguardia; October 18, 2002

http://www.lavanguardia.es/cgi-bin/noti_print.pl?dia=18_10&link=vb1831e&sec=soc

United Kingdom

"Professor Gerard Hastings, of Cancer Research UK, said the tobacco industry plans to lobby government to exempt direct mail from any new legislation. [direct marketing through the mail in an important component of the industry's strategy when faced with advertising restrictions.] ... Prof Hastings, and the Centre for Tobacco Control Research at the University of Strathclyde, said the industry plans to change its marketing tactics. He said: "Big tobacco always knew that the advertising ban would come eventually and they have been channeling all their efforts into trying to get round it. ... "Their sophisticated marketing techniques include personally targeted mailings, carefully designed to counteract tobacco tax increases. ... Common offers include money off coupons to coincide with tax rises, competitions and free samples of new products or brands ... "Our studies show that children are aware of direct mail arriving in their homes, and also that the more types of advertising kids are aware of, the more likely they are to smoke."

Sources: Tobacco firms 'targeting families' - BBC News. October 2, 2002

<http://news.bbc.co.uk/1/hi/scotland/2290941.stm>

Big tobacco taking up residence in family homes - Cancer Research UK. October 2, 2002

<http://www.cancerresearchuk.org/press/pressreleases/31817>

The Tobacco Manufacturers' Association chief executive Tim Lords said: "We have tried to suggest amendments to legislation going through the House" [to allow advertising for cigarettes that deliver lower levels of toxins on the grounds that they have to be able to advertise such products if they are to persuade smokers to switch from high-risk brands.]

Source: ASH-UK; Marketing Week, October 3, 2002

[Note: The UK approved a ban in tobacco advertising and promotions and advertising on billboards and in newspapers and websites would be banned by the end of the year. It will also impose restrictions on the display and promotion of tobacco products in shops. Formula One races will not be affected until 2006.

Tobacco advert ban gets go-ahead - BBC News, October 21, 2002

http://news.bbc.co.uk/1/hi/uk_politics/2348251.stm

UK Tobacco Advert Ban Passed by Parliament - Reuters, October 21, 2002

http://www.reuters.com/news_article.jhtml?type=sciencenews&StoryID=1609265]

"UK tobacco manufacturers Gallaher and Imperial Tobacco are cutting the prices of key hand-rolling tobacco brands in what could be the precursor of a price war. Gallaher, which had been marketing Amber Leaf at the special promotion price of £2.09 for a 12.5g pack, has decided to retain it as the recommended retail price, down from £2.31. Imperial is cutting the price of its rival Drum brand by the same amount."

Source: ASH-UK, Marketing, October 3, 2002

"The criminal and economic impact of tobacco smuggling is to be discussed at a Conservative Party conference fringe meeting organised by the party's Northern Ireland branch. Representatives from the Tobacco Alliance, including County Antrim retailer Audrey Wales, are to address the meeting ... Northern Ireland Conservative Party vice chairman Terry Dick ... said: ..."The sale of smuggling cigarettes is funding both paramilitary organisations in Northern Ireland, and organised crime in Britain. And government figures show that smuggling is resulting in the loss of £3.5bn to the Treasury every year, which is the equivalent of £150 for every household in the UK. ... Tobacco Alliance

represents 42,000 retailers in the UK. ... Earlier this year, the Tobacco Alliance lobbied MPs at Westminster to call for a reduction in the tax on cigarettes, which it has said is partly to blame for an upsurge in smuggling. The increase in smuggling has left many small shopkeepers on the verge of collapse as they lose the trade in both tobacco and confectionary products as the public chose to buy from cheaper illegal sources, the Alliance says.

Source: Call to combat tobacco smuggling - BBC News, 9 October, 2002
http://news.bbc.co.uk/1/hi/northern_ireland/2310591.stm

The BMJ reports that "British American Tobacco has admitted that it was a mistake to offer funding for an MSc post to the London School of Hygiene and Tropical Medicine ... [A] spokeswoman for the company told the BMJ: "In hindsight it was a mistake for us to offer funding to the London School of Hygiene and Tropical Medicine, as their views on smoking and health are well known." [London School] Professor Leon said he was "staggered" when he received the [offer] and told the company to take its money elsewhere.

Source: College tells tobacco company to take its money elsewhere – BMJ 2002;325:794
<http://bmj.com/cgi/content/full/325/7368/794/c>

BAT sorry for offer to sponsor student - The Guardian
http://www.guardian.co.uk/uk_news/story/0,3604,809637,00.html

"Swedish Match is taking the [UK] Government to court over its ban on the sale of "oral tobacco"."

Source: ASH-UK; Swedish Match takes Government To court over ban on 'oral tobacco' - Marketing Week <http://www.mad.co.uk/consumer-products/index.asp>

"According to BAT, the safe cigarette is a myth and any company that claims to have produced one is seriously and dangerously confused. 'There's no such thing as a safe cigarette,' said Dr Chris Proctor, head of science and research at BAT. 'I'm pretty sure we will see products coming along in the next year, some of them from us, that are trying to make these first small steps towards less risk but we're still talking about something that is going to be very dangerous. As a tobacco company, we need to be seen to be putting in as much effort as we can to try to reduce the risks but these first-generation cigarettes are the smallest of steps along the way. There's a possibility we can reduce the risks a very little bit but even if we do produce a cigarette that contains fewer toxins and tastes the same, there is still no guarantee we will know whether it has any potential for reducing the harm suffered by the smoker. ... We have no way of testing whether a certain cigarette is 1 per cent or 20 per cent less risky than its competitor,' he said. 'There is no question that the best public health advice is to quit.'" Proctor declaration was received with some skepticism by some tobacco control advocates that believe the industry could do more into producing reduced harm products.

Source: Scientists stub out hopes for a safer smoke - The Observer; October 27, 2002
http://www.observer.co.uk/uk_news/story/0,6903,819984,00.html

The BAT-sponsored International Centre for Corporate Social Responsibility at Nottingham University is held its inaugural symposium and ASH launched a detailed critique of BAT's social report, written by Stan Shatenstein: 'BAT social report revisited'.

Source: The ASH report: www.ash.org.uk/html/conduct/html/socialreport.html

The press release with links to the above report, BAT and ASH's earlier review of BAT's ethical reporting can be viewed at: www.ash.org.uk/html/press/021025.html

South-East Asia

Bangladesh

BAT-Bangladesh "extended their support to Shandhani Andhatyamochan (Blindness Relief) Lottery Tickets organised by Shandhani National Eye Donation Society. The company purchased significant number of tickets of the lottery and donated the same to Shandhani, says a press release. Stephen Daintith, Managing Director of BAT formally handed over a cheque to Ruhul Amin Mozumdar, president of Shandhani National Eye Donation Society, at a ceremony held at the factory premises of British American Tobacco Bangladesh. Speaking on the occasion, Stephen stated the company's commitment to support the lottery ticket sales of Shandhani. ... Nowazish Ali Khan, vice-president of Shandhani National Eye Donation Society, Golam Mainuddin, deputy managing director of British American Tobacco Bangladesh, and Sheikh Nahar Mahmud, corporate affairs manager of the

company, were also present on the occasion.” [Note: BAT supports the tickets but ignores studies linking smoking to blindness.]

Source: Stan Shatenstein. BAT's contribution to Shandhani lottery ticket sale - The Daily Star (Bangladesh), October 30, 2002 <http://www.dailystarnews.com/200210/30/n2103006.htm#BODY4>

“A workshop on Industrial Environment, Health and Safety (EH&S) was held a Dhaka factory recently ... The workshop was organised by BAT-Bangladesh for the students of the department of IPE of Bangladesh University of Engineering and Technology. The workshop was inaugurated by Deputy Managing Director of BAT Bangladesh Golam Mainuddin and was conducted by Nurunnabi Khan, Technical Services Manager and Mainul Ahad, Environment of Health and Safety Manager. The workshop covered real life issues regarding impacts of Industries on Environment, Health and Safety aspects of industries with an overview of BATB's initiatives in these areas.

Source: BAT workshop on industrial environment held
<http://www.dailystarnews.com/200210/23/n2102305.htm#BODY13>

India

“India's largest tobacco maker ITC Ltd eased as much as 1.6 per cent after a US court ordered Philip Morris Co to pay a record \$28 billion in damages to a terminal lung cancer patient, after she blamed the tobacco giant for her condition. Brokers said they did not, however, expect similar lawsuits to be filed in India.”

Source: ITC drops on Philip Morris ruling, October 07, 2002
<http://economictimes.indiatimes.com/cms.dll/articleshow?artid=24449070>

“Godfrey Phillips India (GPI), in which Philip Morris and K K Modi Group hold 36 percent each, is planning to launch a series of new products. This includes its new bargain smoke, Tipper. Tipper is a non-filter cigarette targeted at beedi smokers, in small cities and towns, looking to upgrade. ... The inclusion of a separate filter allows the company to offer filter cigarettes at the price of non-filter cigarettes. The company is also planning to launch a range of cigars targeted at the premium segment.”

Sources: Godfrey Philips is planning a series of new launches. October 17, 2002
http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021017670.2_4195000dc11a75c

Western Pacific

Australia

The Sidney Morning Herald reports on a recent tobacco industry marketing tactics: sponsorship of fashion related events in trendy places, where cigarettes are often distributed or sold and hostess dress in the colors of the brand sponsoring the event. The report states: “Ten years after the total ban on cigarette advertising, the cigarette makers have found a new way to promote the little white sticks they produce at a rate of 23 billion a year. It's the party way, the fashion way, the celebrity way. On designers' catwalks, at private parties, in city clubs and bars, the flavour of the moment is tobacco.” Some of the events cited are: a party of the city bar where guests were treated to free American Spirit cigarettes. In June, the Dunhill brand was relaunched at an exclusive party at a hairdressing salon. A nightclub has been home to a party promoting Alpine, a Philip Morris (Australia) Ltd brand aimed at young women who see themselves as party princesses. “In the past two years, the nation's two biggest marketers of cigarettes, Philip Morris and British American Tobacco Australasia Ltd (BATA), have wooed and won over clubs and fashion designers, with the aim of linking smoking with all things young and beautiful. ... In the past six months, BATA has relaunched its premium brands, such as Lucky Strike, at a series of parties where the food and wine were never ending, the entertainment included catwalk fashion shows, where cigarette brands were discreetly in evidence, and where the guests included managers and licensees from Sydney bars and clubs. ... The rationale behind linking fashion, clubs, parties and smoking is clear. Cigarette brand preferences are formed early in a smoker's life. Once formed, they are hard to change. ... The secrecy shielding the industry's fashion and club promotions is partly due to the number of middlemen involved. Cigarette companies do not deal directly with nightclubs and other venues. The go-betweens are one of a number of corporate promotions consultancies or event organisers who pitch for the business to the tobacco companies.”

Source: Glamour puff - Sydney Morning Herald, October 5, 2002
<http://www.smh.com.au/articles/2002/10/04/1033538773270.html>

"Philip Morris breached anti-tobacco advertising laws by using a fashion parade to advertise a brand of cigarettes aimed at young women, a court has been told. Philip Morris and associated company Wavesnet have pleaded guilty to breaching legislation preventing the display of tobacco advertising in a public place during the parade in Sydney in December 2000... Philip Morris barrister Brind Woinarski, told Magistrate John Andrews his client "regrets the breach of the legislation". ... Geoffrey Bellew, for Wavesnet, said the event featured a legitimate fashion parade and was not just an advertisement for cigarettes.

Source: Fashion parade 'promoted ciggies' - The Australian/AAP, October 28, 2002

http://www.theaustralian.news.com.au/common/story_page/0,5744,5375839%5E421,00.html

"British American Tobacco PLC said it has offered to settle a class action lawsuit brought by 8,000 Australian retailers seeking to recover millions in licensing fees. ... "The solicitors and senior counsel for the retailers have recommended acceptance of the offer and a settlement agreement has now been concluded," a statement to the Exchange said ... The retailers had sought to recover 250 million aud in license fees paid to tobacco companies including BAT, Rothmans Inc and WD and HO Wills during a five-week period in 1997."

Source: BAT settles class action with Australian tobacco retailers

http://www.ananova.com/business/story/sm_686263.html?menu=

There was coverage of the new tin cigarette boxes being made available to smokers in Australia. [Similar pack is also available in the US for Winston brand.]. "The snappy tin boxes are part of what may amount to the latest marketing ploy which tobacco companies are using to seduce Australia's youth. What better way to hide the more graphic "in your face" warnings set to appear on cigarette packaging from next year." Health advocates denounced the tin boxes as another form of indirect advertising.

Source: Making a tired old habit sexy for kids - The (Brisbane) Courier-Mail, October 24, 2002

http://www.thecouriermail.news.com.au/common/story_page/0,5936,5348695%255E421,00.html

"Under proposals on passive smoking which are now being finalised, all bars will be "predominantly smoke-free" by 2005 [What this means is still to be negotiated.] ... But under the draft agreement, operators reserve a right to change the details if the smoke bans adversely affect their business within six months of their introduction."

Source: Smoke-free bars on way, but not fast enough for some - Sydney Morning Herald; October 29 2002

<http://www.smh.com.au/articles/2002/10/28/1035683358054.html>

China

"The e-commerce system of China's tobacco industry has been functioning well since it was to put use on September 16, with the volume of online cigarette trade keeping going up. According to statistics released by China Tobacco Trade Center, the volume of online cigarette trade realized through the e-commerce system had exceeded 100 million yuan (12 million U.S. dollars) by October 8. ... Operated by China Tobacco Trade Center, the e-commerce system is designed to promote online trade of cigarette products in China on a full scale through the application of information technology and hi-tech means."

SOURCE FROM: STMA Information Center
<http://www.tobaccochina.com/english/news.asp?id=3581>

"China is set to be included on the Formula One calendar in 2004 after FIA president Max Mosley confirmed that a six-year deal has been agreed with the new £170 million Shanghai circuit. China, as a venue, has long been rumoured to be top of the sport's list as it looks to maximise the remaining four years of tobacco advertising. ... However, after recently confirming Bahrain will hold a race, Mosley and Formula One supremo Bernie Ecclestone have agreed to hold a Chinese Grand Prix at the new 3.38 mile-Shanghai track from 2004 to 2010."

Source: China set to welcome Formula One, October 18, 2002
<http://www.itv.com/news/Sport969197.html>

"Although China is gradually opening up its markets after its entry into the World Trade Organization (WTO) in November 2001, the strict policy on tobacco advertising imposed by the Chinese

government is expected to restrict the import of cigarettes into the country. ... After the WTO entry, China is gradually easing restrictions on tobacco monopoly and lowering tariffs on tobacco imports. But at the same time, the government is imposing a strict policy on tobacco advertising, which may contribute to restricting the access of transnational tobacco companies to the China market.”

Source: Strict Policy on Tobacco Advertising Expected to Restrict Import; [Tobaccowave.com](http://www.tobaccochina.com/english/news.asp?id=3595)
<http://www.tobaccochina.com/english/news.asp?id=3595>

Hong Kong

BAT -Hong Kong announced the upcoming launch its corporate website, www.bathongkong.com in Hong Kong/Macau and www.battaiwan.com in Taiwan and requested to be linked with Action on Smoking or health –Hong Kong, alleging that they already link with other advocacy groups, although these hyperlinks have disclaimer and cannot be reached through BAT's website.

Source: ASH Hong Kong

Japan

There were several news reports of Japan's decision to “formally oppose tobacco consumption cuts” at the FCTC discussions. Japan's position clashed “directly with the objective of the proposed treaty -- to reduce health damage arising from tobacco use by cutting back on consumption and output. According to the sources, Japan will argue that tobacco should be defined as an "article of taste" for adults and not treated simply as something whose consumption must be cut. The drive to control tobacco use should instead focus on providing information on the health risks involved, making efforts to prevent smoking among minors and curbing passive smoking in public spaces, the sources said.”

Source: Japan set to oppose tobacco consumption cuts - Japan Times, October 8, 2002

<http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20021008b2.htm>

“Japan Tobacco Inc. said it has decided to terminate the development of its "JTT-501" diabetes drug after assessing clinical testing results. ... The company was developing JTT-501 as an oral drug for the treatment of diabetes. In 1998, Japan Tobacco licensed to Pharmacia Corp. JTT-501's development and sales in overseas markets except South Korea.”

Source: Dow Jones via Yahoo. October 7, 2002

http://biz.yahoo.com/djus/021007/0500000186_1.html

“Japan Tobacco Inc. and three industry groups said they will launch a campaign on against the government's plans to raise the tobacco tax. JT, the Tobacco Institute of Japan, the Japan Tobacco Growers Association and the Japan Tobacconist Federation said they will collect protest signatures on a Web site and at some 200,000 tobacco stores nationwide.”

Source: Japan Times, October 12, 2002

<http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nb20021012a6.htm>

“Japan's adult smoking rate declined for the seventh year to a record low, according to a survey released ...by the nation's largest tobacco maker. ... In Japan Tobacco Inc.'s annual survey, the overall rate dropped to 30.9 percent, slipping below the previous year's all-time low of 32.7 percent. The spread of nonsmoking areas and concerns about possible health problems caused by cigarettes have been driving the rate lower for years, said Japan Tobacco spokesman Kazuo Urashima.” “The Tobacco Institute of Japan, an industry body, said cigarette sales between April and September this year dropped 1.4 percent year on year to 160 billion units, the fourth straight year of decline.”

Sources: Smoking rate in Japan falls to record low, study finds - Reuters , October 25, 2002

http://story.news.yahoo.com/news?tmpl=story&u=/ap/20021025/ap_wo_en_bu/japan_smoking_1

Adult smoking rate falls to all-time low of 30.9% - Japan Times, October 29, 2002

<http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20021029b3.htm>

Korea

“The South Korean government sold about a 10% stake in Korea Tobacco & Ginseng Corp. through the issue of \$230 million worth of Global Depositary Receipts in the company, said the Ministry of Finance & Economy. The government failed to sell the entire 14.5% stake ... due to weak stock market sentiment. The GDR issue is part of the government's efforts to privatize state companies.”

Source: Dow Jones via Yahoo http://biz.yahoo.com/djus/021011/0139000050_1.html

"Philip Morris Cos Inc ... began production in South Korea, becoming the first foreign company to manufacture cigarettes in the country. ... Philip Morris Korea Inc, an affiliate of Philip Morris International Inc, said in a statement its plant would initially produce Marlboro and later expand to include other brands currently being imported for sale in South Korea. ... British American Tobacco ... said last year it planned to build a \$1.1 billion factory in Korea in three years.

Source: Philip Morris begins tobacco production in S.Korea – Reuters, October 14, 2002

http://money.iwon.com/jsp/nw/nwdt_rt.jsp?section=news&news_id=reu-seo102776&feed=reu&date=20021014&cat=INDUSTRY

"Korea Tobacco & Ginseng Corp., the nation's dominant cigarette maker, said third-quarter sales fell 16 percent as it lost market share to foreign brands and total demand shrank amid an anti-smoking campaign. ... Market share fell to a record quarterly low of 78 percent because of increased popularity of rival brands such as Philip Morris Inc.'s Marlboro."

Source: Bloomberg News, October 15, 2002

http://quote.bloomberg.com/fc/gi.cgi?T=marketsquote99_news.ht&s=APavJfxVhS29yZWEg

Malaysia

"...The Government said it would introduce special stickers or codes to be affixed on every cigarette packet and liquor item to indicate that the tax has been paid. The move is also to protect customers from purchasing counterfeit goods. The rising illegal cigarette and alcohol market in Malaysia poses a huge problem to the legal players - namely British American Tobacco Malaysia Bhd, JT International Bhd, Philip Morris Sdn Bhd, Carlsberg Brewery Malaysia Bhd and Guinness Anchor Bhd - and takes a big chunk of revenue away from the Government. BAT, the tobacco industry's biggest player with a 68 per cent market share, said 22 per cent of all cigarettes sold in Malaysia are illegal cigarettes, causing the Government an estimated loss of RM1.2 billion last year. "The illegal market only takes away the volume from legitimate manufacturers (but) also adversely impacts the livelihood of Malaysian tobacco leaf farmers and curers," it remarked. ... Meanwhile, the fact that the Government did not raise tobacco and alcohol taxes this year is a relief for the industries ... BAT said it hoped to work together with the Government to formulate a taxation framework that would discourage the smuggling of illegal cigarettes."

Source: New Straits Times (Malaysia), October 11, 2002

"TSH Resources said it is teaming up with Commercial Marketers and Distributors, a wholly-owned unit of British American Tobacco (Malaysia) to develop a forest plantation in Sabah with an estimated cost of 48.5 million rgt. In a statement, TSH said the project, which forms part of a 10-year forest management plan, will observe good environmental practices, including restrictions on planting in riparian reserves and provision of wild life corridors.

Source: TSH teams up with Malaysia BAT unit to develop forest plantation in Sabah

http://www.ananova.com/business/story/sm_686870.html?menu=

New Zealand

The advocacy group ASH denounced Imperial Tobacco NZ as "targeting young people with gift packs offering items like compact disc holders [and pocket knives, bottle openers and cigarette lighters, etc.] ... sold with packs of Peter Stuyvesant and Horizon cigarettes and Drum tobacco ... Imperial Tobacco NZ Ltd ... denied they were aimed at youth. ... Imperial Tobacco corporate affairs manager Pat Wylie said the packs were not aimed at young people. The items they contained could not be called gifts because they were sold at an extra charge. "We are perfectly within the law and it is for our adult customers."

Source: Ash gets hot on gift packs - Stuff (NZ); October 21, 2002

<http://www.stuff.co.nz/stuff/0,2106,2085992a7144,00.html>

The Philippines

"Philip Morris Philippines Inc. will start manufacturing its flagship brand Marlboro and other cigarette products in its new state-of-the-art plant in Sto. Tomas, Batangas beginning Jan. 1, 2003, PMPH managing director George Farah announced ... [in] a speech before the 10th National PR Congress of the Public Relations Society of the Philippines (PRSP) ... Marlboro and Philip Morris brand cigarettes

have been manufactured and distributed under license by La Suerte Cigar and Cigarette Company in the Philippines since 1955. Farah said PMPH and La Suerte have reached a mutual decision not to renew the license agreement when it expires on Dec. 31, 2002. As PMPH takes full control over its business here in the Philippines, Farah urged Congress to pass a national law that will provide strong industry regulation to cover the manufacture, sale and use of tobacco products. He stressed that it has always been the position of PMI and its affiliates worldwide to support and work for the regulation of the tobacco industry.

Farah added that PMPH supports legislation in the Philippines that among others will regulate marketing practices, ban smoking in public places and set a minimum age for the sale and purchase of cigarettes."

Farah also said. ... "Phillip Morris acknowledges that cigarette is one dangerous product, but cigarette continues to remain as also one legal trade. As far as the company is concerned, given those two parameters, we are still committed to manufacture and market cigarette in a responsible fashion," lawyer Raul Academia, Phillip Morris government relations manager, said. "As far as marketing cigarette is concerned," he said, "we are dedicated to marketing in a responsible manner so that we direct our advertising and promotions solely to informed adult who have chosen to smoke." "We do not direct our marketing effort to minors, and we are more than willing to help the government in order to seriously address that concern," he said. ... Academia said Phillip Morris was in touch with members of Congress for the adoption of a law that would strictly regulate the production, sale and use of tobacco products. Philip Morris has implemented the Youth Smoking-Prevention Program to "keep cigarettes away from children." Company officials said they were closely working with various institutions, including educators, retailers and the cigarette industry, to promote programs that would discourage minors from smoking."

Sources: PMPH cigarette production set to start next year. Philippine Star (ph); October 6, 2002

<http://www.philstar.com/philstar/Business200210064506.htm>

Phillip Morris' new plant a smoking showcase - Hoover's, October 13, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021013670.2_8db1002cedfc8c0b

Thailand

"Two major foreign cigarette producers, Philip Morris and Japan Tobacco, have forfeited deposits worth one billion baht to the Customs Department for declaring imported cigarette prices below actual market value, Chavalit Sethameteekul, the customs director-general, said yesterday. ... Recently, the department seized shipments worth one billion baht from Philip Morris, owner of the Marlboro brand, and Japan Tobacco, owner of Mild Seven, for declaring the prices of their imported cigarettes well below their normal market prices."

Source: Bangkok Post, October 8, 2002

http://www.bangkokpost.com/Business/08Oct2002_biz58.html

"The Public Health Ministry says the Tobacco Monopoly of Thailand indirectly promoted smoking by sponsoring televised broadcasts of the Asian Games, [breaching the 1992 Tobacco Consumption Control Law, which prohibited all forms of publicity for tobacco products and associated logos] and has urged the Finance Ministry to look into the matter."

Source: Tobacco Monopoly 'promoted smoking' during Asian Games - Bangkok Post; October 23, 2002

http://www.bangkokpost.com/News/23Oct2002_news12.html

Vietnam

Philip Morris and Japan Tobacco were accused of violating the Vietnamese ban on tobacco advertising, "forcing the recall of matchboxes, lighters and other items bearing the names of cigarettes." These products were being freely distributed, bearing logos of Marlboro and of Mild Seven. "Philip Morris, which is permitted to sell only its Marlboro brand in communist Vietnam, has a market share of less than one percent. Vinataba (state-owned tobacco company) runs joint ventures with BAT and with Philip Morris. BAT controls around 10 percent of the Vietnamese cigarette market with seven brands. Philip Morris Viet Nam escaped fines for breaching the advertising regulations in a decision handed down by the Ministry of Culture and Information. The ministry has accepted Philip Morris Viet Nam's proposal to recall all cigarette advertising materials in breach of Government regulations, and erase brand names on its promotional gifts. "In its decision, the ministry ruled that the parties had not

"advertised deliberately" but demanded strict supervision of the implementation of its verdict. "All the companies say that because the domestic cigarette industry was facing many difficulties, they had to launch the promotion programmes to encourage consumers to use domestically produced cigarettes, thus stopping smuggling." "The ministry supports the promotion of the domestic cigarette industry and prevention of cigarette smuggling... but any material with brand names being advertised by Philip Morris Viet Nam is a form of advertisement which breaches regulations," the ministry's deputy chief inspector Phan An Sa said.

Source: Vietnam bars giveaways by two tobacco firms - Reuters

<http://famulus.msnbc.com/FamulusIntl/reuters09-29-220035.asp?reg=PACRIM>

Viet Nam News 28 September 2002

Worldwide

"British American Tobacco has been included in the Dow Jones Sustainability Indexes, the first tobacco company to be included since the index series was launched in September, 1999. The inclusion, overseen by Sustainable Asset Management, was on the basis of SAM's "best-of-sector" approach. ... In an explanatory letter to clients, SAM said "based on this year's assessment for the DJSI, BAT is the tobacco company that best manages the described risks and is therefore leading the industry in terms of sustainability." ... BAT became the first tobacco company to publish a social responsibility report in June of this year, following a period of engagement with stakeholders and a series of workshops conducted by SAM for companies not included in the indexes but wishing to improve their ratings. ... [SAM] said BAT had given assurances on the smuggling of tobacco, child labour and other issues of concern to investors, as well as given the most transparency on these issues "we've ever seen from a tobacco company." ... [I]nvestors had been notified of the change and after initial shock, most had responded positively to the inclusion of BAT after it was explained the performance improvements were partly as a result of SAM's engagement with BAT.

Sources: BAT sustainable says SAM - Ethical Investor. By Martin Lawrence. October 2, 2002

http://www.ethicalinvestor.com.au/news/story.asp?Story_ID=528

Results of the DJSI Review 2002 - Dow Jones Sustainability Index [P. 15]

http://www.sustainability-indexes.com/news/pdf/press_releases/DJSI_PR_020904_Review2002.pdf

Don't let US tobacco woes cloud the attraction of cheap UK stocks - The Independent

http://news.independent.co.uk/business/investment_column/story.jsp?story=338613

The US Department of agriculture released its 2001 report. Some of the facts: 422 billion cigarettes smoked in US in 2001 (down 2% from 2000); 5,470 trillion produced globally. Increased production in China and Germany helped offset the decline in the United States. The German increase was due to rising demand in France, Spain and Italy." The report also said that cigarette production in India is estimated at 91.5 billion sticks during 2002 (86.3 million sticks in 2001). India will export 1,25,000 tonnes of tobacco of the total world exports of 19,51,091 tonnes."

Sources: Tobacco: world markets and trade (pdf). Foreign Agricultural Service / USDA; October 2, 2002

<http://www.fas.usda.gov/tobacco/circular/2002/0209/cig2002.pdf>

Hoover's, October 3, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021007670.2_7e580006dfd6096

U.S. smoked 422 billion cigarettes in 2001 - USDA - Reuters

<http://www.alertnet.org/thenews/newsdesk/N30374423>

Further Decline: The latest figures on U.S. cigarette sales - Tobacco Reporter

<http://tobaccos.com/current/story2.asp>

It was reported that Hong Kong tobacco control advocates were receiving request for interviews from a PR firm ("Taylor Nelson Sofres (Hong Kong)") to learn about the tobacco industry and tobacco control issues. Such initiatives mirrored effort carried out in the name of the tobacco industry, the undisclosed client, in other countries such as Brazil, Sri Lanka and Vietnam. In Vietnam, this PR firm has conducted surveys and focus groups for both BAT and Philip Morris. And as reported by Bert Hirshhorn, there are industry documents showing how the industry has used this company in the past.

Sources: Hong Kong Council on Smoking and Health

TNS Vietnam's website: <http://www.tnsofres.com/about/asiapacific/vietnam/index.cfm>

Taylor Nelson Research does marketing research for RJR and PM.

http://www.rjrtdocs.com/rjrtdocs//image_display.wmt?DOC_RANGE=514524755+-4779&USESECONDARY=&NOTABS=&NOFOOTER=&NOOPTIONS=&SIZE=3&ROTATION=0
And for the Tobacco Manufacturers Association (UK):
http://www.rjrtdocs.com/rjrtdocs//image_display.wmt?DOC_RANGE=517670062+-0068&USESECONDARY=&NOTABS=&NOFOOTER=&NOOPTIONS=&SIZE=3&ROTATION=0

It was widely reported that during the FTC negotiations the "United States, Germany and Japan firmly rejected demands that a proposed global anti-smoking treaty include a call to ban advertising. ... "This is a red-line issue for us. A revision is necessary," the head of the U.S. delegation said, referring to the wording of a draft text. Washington has said an advertising ban would violate the U.S. Constitution's free speech guarantees."

Source: U.S., Germany, Japan Rebuff Ban on Tobacco Ads - Reuters, October 16, 2002

http://www.reuters.com/news_article.html?type=topnews&StoryID=1585519

'Marlboro Man award' to be bestowed on Japan - Japan Times/Kyodo News

<http://www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20021017a4.htm>

There was vast media coverage about the EU filing of a lawsuit against RJR international unit and related companies. "The civil charges were filed in New York by the EU and ten members of the European Union. Michael Schreyer, EU Budget Commissioner, said: "Protecting the financial interests of the European Community and fighting against money-laundering and fraud remains a top priority for the European Commission. The Commission is determined to win its fight against money-laundering, cigarette smuggling and connected serious cross-border crimes." The suit accuses RJR of "among other things, sanctions-busting by shipping huge quantities of American cigarettes to Iraq via Cyprus and Turkey from 1990 through this year. Separately, federal prosecutors in the U.S. Attorney's office in Manhattan recently opened an investigation into possible cigarette smuggling into Iraq by American companies in violation of federal laws, according to a person familiar with the matter. ... RJ Reynolds described the lawsuit as "completely absurd" and called on the courts to dismiss it. The company said in a statement: "We operate our businesses in a legal, responsible manner. Any allegations that we were involved in, or aware of, money-laundering, conspiracy or any other illegal activities are completely absurd. We believe this suit should be dismissed, as were the other two EU cases filed in US court." One reason that trade of cigarettes into Iraq raises special concerns: Some exporters say that the sales to Iraq of cigarettes indirectly enrich the Saddam Hussein regime. Since 1995, Mr. Hussein's eldest son, Uday, has collected on average \$10 million a year in "taxes" from legal and illegal sales of imported cigarettes, according to Abbas Al-Janabi, who served as Uday Hussein's private secretary from 1984 to 1998. ... Lawyers for the former RJR international tobacco unit and Japan Tobacco's international unit vigorously deny any suggestion that either company violated U.S. law or U.N. sanctions. "It is simply wrong to say that any U.S. company must have violated U.S. and U.N. sanctions because their products appear in Iraq," says Stanley Marcuss, a lawyer for Japan Tobacco who formerly represented the RJR unit. "There are many, many ways, all of which are perfectly legal, for U.S.-origin goods to be distributed in Iraq," he says. The companies also deny enriching the Iraqi regime. ... Mr. Marcuss [said] generally that RJR's international unit and Japan Tobacco simply sold to a distributor who determined where to resell the company's goods. Mr. Marcuss says: "The nature of the cigarette business is such that distributors typically act independently. They are independent businessmen." In his view, only the last distributor in the chain selling into Iraq would need to get official permission."

Sources: RJR Unit, Japan Tobacco Face Scrutiny Over Cigarettes in Iraq - Wall Street Journal, October 30, 2002/

Bound for Baghdad: Despite Restraints, Iraq Gets Winstons; Who's to Blame? RJR Unit, Japan Tobacco Face Scrutiny Over Distribution; Saddam's Son Takes a Cut --- Seven Planeloads to Jordan

<http://www.ash.org.uk/html/smuggling/html/wsjiiraq.html>

When Cigarettes Reach Iraq, Uday Hussein Collects a Fee - Wall Street Journal, October 30, 2002, A13

EU Alleges Mob Ties to Tobacco - Los Angeles Times

[http://www.latimes.com/business/la-fi-](http://www.latimes.com/business/la-fi-smuggle31oct31004449,0,6033810.story?coll=la%2Dheadlines%2Dbusiness)

[smuggle31oct31004449,0,6033810.story?coll=la%2Dheadlines%2Dbusiness](http://www.latimes.com/business/la-fi-smuggle31oct31004449,0,6033810.story?coll=la%2Dheadlines%2Dbusiness)

RJR accused of dealing on black market - Boston Globe/L.A. Times

http://www.boston.com/dailyglobe2/304/nation/RJR_accused_of_dealing_on_black_market+.shtml

Tobacco firm colludes with underworld, lawsuit says - San Francisco Chronicle/L.A. Times

<http://www.sfgate.com/cgi-bin/article.cgi?f=/chronicle/a/2002/10/31/MN211171.DTL>

La Commission tente une action civile pour blanchiment de capitaux à l'encontre de R. J. Reynolds - Europa

[http://europa.eu.int/rapid/start/cgi/guestfr.ksh?p_action.gettxt=gt&doc=IP/02/1592|0|RAPID&lg=FR&dis](http://europa.eu.int/rapid/start/cgi/guestfr.ksh?p_action.gettxt=gt&doc=IP/02/1592|0|RAPID&lg=FR&display=)

[http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/02/1592|0|RAPID&lg=EN&dis](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/02/1592|0|RAPID&lg=EN&display=)

<http://www.swissinfo.org/ses/Swissinfo.html?siteSect=143&sid=1428663>

RJ Reynolds faces money-laundering suit - The Times, November 1, 2002

<http://www.timesonline.co.uk/article/0,,5-465554,00.html>

RJ Reynolds Accused of Money Laundering - New York Times/Reuters

<http://www.nytimes.com/reuters/business/business-tobacco-reynolds.html>

Brussels sues US tobacco giant for money laundering - The Guardian

<http://www.guardian.co.uk/business/story/0,3604,823720,00.html>

'Laundering' charge for tobacco giant - BBC News

<http://news.bbc.co.uk/1/hi/business/2382607.stm>

RJ Reynolds faces money-laundering suit - Financial Times

<http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1035872911846&p=1012571727172>

Reynolds brands lawsuit 'absurd' - The Independent

<http://news.independent.co.uk/business/news/story.jsp?story=347751>

EC accuses tobacco company of money-laundering - ABC News (Australia)

http://www.abc.net.au/news/business/2002/11/item20021101074723_1.htm

EU body sues US tobacco company - Business Day (S. Africa)

<http://www.bday.co.za/bday/content/direct/1,3523,1214643-6098-0,00.html>

Source: US tobacco companies face claims of smuggling to Iraq - Sunday Telegraph, October 13, 2002

[http://www.telegraph.co.uk/news/main.jhtml?sessionid\\$JMASDUHH1EPCJQFIQMGSFFOAVCBQWIV0?xml=/news/2002/10/13/wtob13.xml&sSheet=/news/2002/10/13/ixworld.html](http://www.telegraph.co.uk/news/main.jhtml?sessionid$JMASDUHH1EPCJQFIQMGSFFOAVCBQWIV0?xml=/news/2002/10/13/wtob13.xml&sSheet=/news/2002/10/13/ixworld.html)

ASH-UK resources: <http://www.ash.org.uk/?rico> with the filings, the press coverage and background material.

"In a statement submitted to the Geneva tobacco talks [FCTC], the Philip Morris Company, the largest tobacco company in the United States, denied any involvement in smuggling operations. Philip Morris said that it has suspended or severed relationships with customers and distributors whose accounting and controls were inadequate."

Source: WHO Finalizing Tobacco Control Treaty - VOA News, 17 October 2002

<http://voa-7.chntval-dc1.genuity.net/article.cfm?objectID=CB0D12E5-642C-4FF0-A94B87EA16DB8CB7&title=WHO%20Finalizing%20Tobacco%20Control%20Treaty>

"Snus World Wide announced today it will begin selling and distributing a new Swedish Snus product known as Exalt on its Internet site (<http://www.snusworldwide.com>) beginning October 2002. Currently, the Internet distribution channel offers nine brands of Swedish snus in several varieties including Catch, General, and Ettan. ... While Snus World Wide has primarily targeted Swedish consumers, the market is experiencing steady growth as distributors expand their customer base. In its first year, Snus World Wide generated \$200,000 USD ... and attracted 3,000 hits on its website per month. Over one-third of the Web hits came from the United States."

Source: http://biz.yahoo.com/prnews/021023/dcw040_1.html

"Philip Morris Cos. Inc. third-quarter profit rose, even as consumers turned away from its premium cigarettes, seeking lower priced brands in the current tough economy. Philip Morris said it earned \$2.70 billion, or 1.26 per share, in the quarter, up from \$2.57 billion, or \$1.16 per share a year earlier. Sales climbed 4.9 percent, to \$20 billion. ... PM USA's retail share in the third quarter decreased 1.5 points to 49.2%, also due primarily to the growth of deep-discount cigarettes and sharp increases in state excise taxes. ... Underlying operating companies income for Philip Morris International (PMI), the company's international tobacco business, rose 8.0% to \$1.6 billion, driven by higher pricing, lower costs and favorable currency of \$11 million. Shipment volume increased 2.3% ... due to solid performances in Western, Central and Eastern Europe, partially offset by lower shipments to Japan... PMI had particularly strong market share gains in Austria, Belgium, the Czech Republic, Germany, Greece, Japan, the Netherlands, Russia, Switzerland and Turkey... In Eastern Europe, PMI volume advanced 14.3%, due to continued robust growth in Russia, driven by the strong performances of L&M, Parliament, Chesterfield and Virginia Slims and the recent introduction of Next. In Japan,

shipment volume declined 11.8%... However, in-market sales in Japan increased by 4.3%, resulting in a share increase of 1.2 points to a record 23.7%, driven by the strong performances of both Lark and Marlboro... In Latin America, volume was down 0.8%, due mainly to a decline in Mexico... In Argentina, PMI's share advanced 1.1 points to a record 65.6%, due to the continued strength of the Philip Morris brand."

Sources: Philip Morris Third-Quarter Profit Climbs - Washington Post/Reuters, October 17, 2002

<http://www.washingtonpost.com/wp-dyn/articles/A38982-2002Oct17.html>

http://www.philipmorris.com/docs/investor_rel/2002_Annualmeeting/IIIQtr_2002_results.pdf

"British American Tobacco has reported increased profits and says it's poised for expansion in China. Pre-tax profits rose to £1.634 billion in the nine months to September 30, up from £1.524 billion. ... The company added that the currency movements meant underlying operating profits were down 1% for the first nine months at £2.1 billion. But chairman Martin Broughton insisted the group had achieved "a good underlying performance" given the economic climate and increasingly competitive environment. ... The company's key brands - Lucky Strike, Kent, Dunhill and Pall Mall - grew by 9% between them for the nine months and by almost 15% in the third quarter, BAT says. Group volumes were down 4% in the nine months, following BAT's decision to restrict the supply of duty-free exports. BAT is focusing on China, Turkey and other markets outside the US, where it faces lawsuits and declining consumption." During the report announcement, Chairman Martin Broughton's said "We have major concerns with the way that the [FCTC] draft text treats active and 'passive' smoking as though they are the same thing and ignores the potential benefit to public health from harm reduction strategies, when so many adults will continue to smoke tobacco products..." BAT said it would increase its marketing budget in the US in the fourth quarter to counter a hike in promotional spending from rivals Philip Morris and RJ Reynolds. Mr Adams said sales at its Brown & Williamson subsidiary, which contributes roughly 15 per cent of its earnings, were "softening slightly, but nothing dramatic".

Sources: British American Tobacco plans Chinese expansion - Ananova, October 29, 2002

http://www.ananova.com/news/story/sm_698784.html?menu=news.latestheadlines

BAT rues currency swings - Online.ie

<http://www.online.ie/business/viewer.adp?article=1869122>

http://www.bat.com/oneweb/sites/uk_3mnfen.nsf/vwPagesWebLive/DO5FCJVE?opendocument&TMP=1

British American Tobacco: quarterly report to 30 September - CNW

<http://www.newswire.ca/releases/October2002/29/c5830.html>

3rd Quarter Results - BAT

http://www.bat.com/oneweb/sites/uk_3mnfen.nsf/vwPagesWebLive/FC270A5E38BC74FE80256BF4001F77E9?opendocument

Quarterly Report to 30 September 2002 - BAT

http://www.bat.com/oneweb/sites/uk_3mnfen.nsf/vwPagesWebLive/3B2955B6F1C6F84080256BF40033170?opendocument

BAT may return cash to investors as profits dip 1% - The Independent, 30 October 2002

<http://www.independent.co.uk/story.jsp?story=347127>

Given that most tobacco companies' quarterly reports blamed a consumer trend towards cheaper brands cigarettes, there were several articles discussing this trend in detail, including the Wall Street Journal and the Financial Times. Cheaper cigarettes are gaining markets in several countries, which is forcing the larger companies to develop new marketing and sales strategies. Companies blame higher taxes, restrictions in marketing and the world economy for the trend. In the United States, low price brands account for 10% of the market, up from 3% four years ago. Andy Schindler, R.J. Reynolds Holdings chairman and CEO said: "This has been a very challenging, dramatic, uncertain environment. The price gap that exists between the full price and the lower end, that's the core issue." Some of the marketing strategies being used are 2 for 1 promotion, retailer incentives, as well as a cut in price of premium brands. (The price cuts were partially responsible for cuts in profits forecasts.)

Sources: Cheap brands, taxes burning Big Tobacco - The Business Journal (NC), October 28, 2002

Frugal smokers hurt four biggest cigarette makers - San Francisco Chronicle/WSJ, October 25, 2002

<http://www.sfgate.com/cgi-bin/article.cgi?file=/news/archive/2002/10/25/financial0935EDT0039.DTL>

Hausse des ventes de cigarettes génériques - Le Soleil; October 20, 2002

http://www.cyberpresse.ca/soleil/actualites/0210/act_202100148514.html

Richard Tomkins: A cheap ride to Marlboro country - Financial Times. By Richard Tomkins

<http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1035872869882&p=1012571727108>

Notes: More details on most of the news reported here found at:
<http://www.tobacco.org/>

For tobacco companies press releases and statements, including the voluntary marketing code, search the companies' websites and related-sites. For example:

R.J. Reynolds: <http://www.rjrt.com/TI/Pages/TIcover.asp>

Philip Morris: <http://www.philipmorrisusa.com/>

Japan Tobacco International: <http://www.jti.com>

British-American Tobacco: <http://www.bat.com/>

<http://www.tobaccojournal.com/>

<http://www.tobaccoreporter.com/>

For additional information on tobacco industry's strategy regarding marketing, opposition to advertisement bans and development of voluntary advertisement codes; utilization of voluntary codes to oppose smoking restrictions; youth campaigns; utilization of hospitality industry and ventilation as a [false] "solution" to smoking bans, search the tobacco industry documents sites, mainly Philip Morris site, and other sites containing industry documents:

www.pmdocs.com (with links to other companies sites)

<http://www.hlth.gov.bc.ca/guildford/index.html>

<http://www.ncth.ca/Guildford.nsf>

<http://www.library.ucsf.edu/>

<http://legacy.library.ucsf.edu/>

<http://www.tobaccodocuments.org/>

Additional material discussing industry's strategies related to the above can be found at:

<http://www.ash.org.uk/>

<http://www.no-smoke.org>

<http://www.nsra-adnf.ca/>

<http://www.cdc.gov/tobacco/sitemap.htm>

<http://tobacco.who.int/>

<http://tobaccofreekids.org/>

November 2002

Africa

Kenya

"...[In] Kenya it is unlikely that corporations will play politics. Instead, they find it noble to demonstrate responsibility through working with communities. [In Kerio Valley the] Kerio Trade Winds Project, a bundle of sub-projects whose centrepiece is a scheme to fight poverty ... [the] community has been negotiating for assistance from the corporate sector... The partnership between Kerio Trade Winds and the British American Tobacco (BAT), for example dates back to 1999. "This is when the community approached the firm with a view to developing tobacco growing activities as an option towards alleviating poverty in line with the government's poverty alleviation strategy," says BAT Managing Director Simon Welford. ... And clearly, BAT is emerging as one of the main architects whose many successes in this field is more visible. Other urgent concerns such as the environment, health and child labour have also received good attention from the tobacco firm. However, people still grapple with questions whether it is morally sound to receive this money, given the fact that their products such as cigarettes could be posing great health risks to consumers. People also want to know the initiatives being undertaken by the tobacco industry to minimise risks associated with smoking. BAT says that it has long accepted that smoking is risky. Its business, it says, is not about persuading people to smoke. "It is about offering high quality brands to adults who have already taken the decision to smoke and are aware of the risks. Because of the risks of smoking, we have long considered that the choice to smoke, or not, is one exclusively for adults. We do not want children to smoke and we actively support programmes to prevent and reduce under-age smoking." Welford says 94 per cent of the company's total turnover is injected back into the economy through government taxes, incomes to farmers in leaf growing areas as well as dividends to local share holders. ..."

Source: Large firms must learn responsibility
<http://www.eastandard.net/eahome/story11112002013.htm>

Malawi

An article discussed the small farming tobacco growing system that provides most of Malawi's foreign exchange and states that tobacco is "at the heart of an ethical and political battle taking place in Malawi that is seeing the world's largest health organisations pitted against the industry that props up the economy of this impoverished African nation. At stake is the issue of who will bear responsibility for the world's deadly nicotine addiction, and a conflict between the need to reduce smoking deaths in the developed world while not sacrificing the impoverished farmers whose livelihoods depend on cigarettes." [Note: Unfortunately the article did not point out that even an extremely successful worldwide tobacco control campaign would promptly eliminate the need for tobacco growing and only briefly mentioned that tobacco control advocates suggested that Malawi would have time to develop a structured transition and called for international aid to assist with crop replacement.]

Source: <http://abc.net.au/science/slab/tobacco/>

"A 14-member Malawian delegation to the International Tobacco Growers Association (ITGA) annual general meeting in Portugal visited several tobacco manufacturing companies in Britain, Germany and Italy to ask them on why Malawi tobacco fetched low prices last year despite its good quality. The delegation, led by Tobacco Association of Malawi (Tama) president Albert Kamulaga, also held talks on how to improve the tobacco prices next year. Kamulaga told the press on arrival in Lilongwe...[that] the companies assured the delegation that Malawi burley tobacco could be sold at a higher price this year so long the production levels remain at an average 130 million kilogrammes annually. Kamulaga said the team's own assessment, however, attributed the poor prices to cross border tobacco trade and the intermediate tobacco buying system in the country. He said the two threatened the future of the tobacco industry.

Source: Tama meets tobacco buyers <http://www.nationmalawi.com/articles.asp?articleID=3601>

South Africa

"Rembrandt Group (Remgro), the listed holding company for a variety of industrial and financial interests, is expected to record a strong 25% rise in earnings for the six months ended September 30, 2002, when it reports its interim results ... Remgro counts among its assets a wide range of holdings,

including international tobacco giant British American Tobacco ... The main factor behind Remgro's robust growth for the six months is forecast to be the relative weakness of the rand, which plays an important role in contributions from BAT, Gencor, Trans Hex and Distell. Analysts estimate the rand's weakness will account for between 13% and 17% of Remgro's growth for the period - or over half. According to analysts, BAT alone should contribute about R1-billion to Remgro's earnings for the period."

Source: Business Day (za), November 20, 2002
<http://www.bday.co.za/bday/content/direct/1,3523,1229680-6078-0.00.html>

Togo

There was some commotion when at the launch of the Royals Cup [Royal sis the name of a cigarette brand] the president of the soccer league said that the organization had a budget of 20 millions, and the treasurer corrected him saying that it was 60 million. The press was removed from the room, as until then local journalists had made numerous efforts to find out exactly how much the Cup would cost and how much the tobacco company had provided.

Source: "SPORT & TABAC ; www.letogolais.com

Uganda

"BAT has started to fight back against the threat of tougher tobacco laws. The global tobacco giant warns in its official comment on the Framework Convention on Tobacco Control that its legally protected right to trade must be protected. It did add that it recognises the right of governments to regulate tobacco products at the national level ... "Since we recognise the negative health impact of tobacco use, we do recognise the role of the [WHO] in supporting governments with health policy advice based on sound science," says the BAT statement. "[But] as the producers of a legal product, we assert the right to communicate with adult consumers and also the right to participate in international trade." BAT says that WHO must advise on tobacco control measures within its field of expertise, "but not in fields outside its remit". BAT also says that active smoking be handled separately from passive smoking [and] rejects accusations that cigarettes are intentionally engineered to create and maintain dependence. ... "We accept that smoking is associated with real risks of serious diseases, and hence tobacco products should be marketed in a responsible manner and should be for use only by adults informed of the health risks," it adds. [But] we take issue with the notion that the world in the 21st century is faced with a tobacco "epidemic" that is "spreading across national borders," engineered by international tobacco companies through advertising."

Source: BAT fights tobacco law threat - The Monitor (Kampala), November 5, 2002
http://monitor.co.ug/news.php?record_number=1&show=Business

"As the season for buying tobacco in Arua and Yumbe districts comes to an end, many farmers are not happy despite the good yields this season. "Middlemen are getting more profit than us from the sale of tobacco, simply because they buy it cheaply from Congo and sell it to BATU (British American Tobacco, Uganda)", an angry farmer tells ... "BATU is supposed to buy tobacco from its own farmers, but nowadays they also buy from businessmen," another grim-facing farmer said. However, when contacted, BATU Divisional Leaf Manager, Augustine Kyamuhangire, said it was only this season that they were accepting tobacco grown in Congo. "There is no guarantee that this trend will continue next year. It is true that we only buy tobacco from farmers who are registered and have accounts with us. There are a few farmers who, out of sickness did not grow tobacco this season, so on humanitarian grounds we accepted tobacco which they bought from Congo," he said. The farmers maintain that growing tobacco is a strenuous activity and that it is unfair for outsiders to profit at their expense. Despite their displeasure, tobacco still remains the chief cash crop in West Nile ... At the foothills of Mountain Wati, there is a vast acreage of land with isolated trees. Instead of the huge shea butter trees that once sheltered this land, there are brick red high rise tobacco barns. "Most of the trees here were felled for curing tobacco. It is now hard to get wood fuel in this place for curing tobacco. Many farmers now depend on BATU and Mastermind for wood fuel." ... "In a good season an average farmer usually earns a net pay of about sh400,000 a year. BATU officials say the annual production of tobacco in the region has been going up since 1990, when the total output was 3000 tonnes. "This season we paid out a net amount of sh15.5billion to tobacco farmers in West Nile for 12,800 tonnes of tobacco they produced," Kyamuhangire said."

Source: Tobacco Farmers Cry Foul. New Vision (Kampala), November 6, 2002
<http://allafrica.com/stories/200211060163.html>

Zimbabwe

"Zimbabwe's tobacco earnings, its biggest source of foreign exchange, slumped 43% this year following the seizure of white-owned farms and a drop in prices, said farmers, who forecast a further fall in 2003. ... The collapse of the industry will dry up supplies of some of the world's best tobacco used to flavor cigarette brands such as Camel, Marlboro and Winston. ..." Another report stated that there is doubts that Zimbabwe would ever be able to regain lost market share.

Sources: Bloomberg News, November 01, 2002

http://quote.bloomberg.com/fc.cgi?mnu=news&ptitle=Politics%20UK&tp=ad_uknews&T=news_storypage99.ht&ad=uk_politics&s=APcJktxXLWmltYmFi

Financial Mail (za), November 8, 2002 <http://free.financialmail.co.za/02/1108/busafrika/abusaf.htm>

"The government has set \$1 billion for the production of tobacco seedlings in an effort to boost the output of the golden leaf, which is expected to fall to dismal quantities next year. ... Participating in the Tobacco Seedlings Production Scheme are the Indigenous Commercial Farmers' Union (ICFU) Zimbabwe Association of Tobacco Growers (ZATG), the Zimbabwe Tobacco Association, The Zimbabwe Farmers' Union, Farmers' Development Trust, Tobacco Research Board and the Tobacco Industry and Marketing Board (TIMB). ... The ZTGA has launched an on-farm training project in which it mainly trains new tobacco farmers [hoping that better techniques will improve yield].

Source: Government sets aside \$1bn for tobacco seedlings. November 11, 2002

<http://www.dailynews.co.zw/daily/2002/November/November11/8602.html>

"The government has gazetted regulations on tobacco smoking as a reaction to the World Health Organisation (WHO) calls to introduce anti-tobacco legislation on a global scale. ... According to the new regulations, no persons shall smoke in any educational or healthcare facility, theatre, cinema, museum, youth centre, library, place of worship or public meeting hall [among other places]. The manager in control of any public premises or food outlets may designate an area within the premises as an area in which smoking is permitted ... Trading of tobacco to persons under 18 years is not allowed, while one would violate the Public Health regulations if they advertise, promote or commend the use of tobacco without the accompanying messages warning that it is also dangerous... Zimbabwe Association of Tobacco Growers president Julius Ngorima said he welcomed the introduction of the ... legislation as it protected non-smokers and minors. [He said:] "We are glad that tobacco production will not be affected by the controls. Controls on production do not work because countries act in line with the supply and demand situation."

Source: Government Sets Up New Restrictions On Smoking - The Daily News (Harare), November 14, 2002 <http://allafrica.com/stories/200211140478.html>

Regional

"[Tobaccor]... with sales of £174m during the year to September, the maker of Excellence and Superkings cigarettes achieved 11% growth in operating profits to £42m, Imperial Tobacco said. "Tobaccor has proved to be a very valuable addition to the group, producing a double digit return in its first full year," said Imperial Tobacco's chief executive, Gareth Davis. Imperial bought 75% of Tobaccor in March 2001, and "in September 2002, we acquired a further 12.5% of Tobaccor for £45m," the group said. The integration of Tobaccor into the group has "significantly improved performance" said the company, "despite some political instability particularly in Madagascar and most recently in the Ivory Coast". ... Africa is a key target market for Imperial which is increasingly pushing for further international expansion. "The continued development of our international business reflects the investment we have made in businesses, markets, brands and infrastructure," said Imperial. ... Imperial added that it is involved in the development of infrastructure projects in Africa and insisted that it is "committed to the development of the communities of which we are a part". "Our high standards are reflected throughout our Tobaccor operations in Africa, where our initiatives include the provision of sanitation, health and education facilities, as well as providing jobs and local revenue," said the tobacco group. "Our African factories work closely with their local communities, often including community leaders on their advisory boards."

Source: Tobaccor boosts Imperial in Africa - BBC News, 25 November, 2002

<http://news.bbc.co.uk/1/hi/business/2512303.stm>

Americas

Brazil

The weekly news magazine *Veja* reported that BAT fully owned subsidiary, Souza Cruz, is optimistic with the election of Brazil's new president and the defeat of Jose Serra, former Minister of Health who was known for his strong support for tobacco control. Since 2000, Souza Cruz has been involved in planting tobacco in the city of Garanhuns, home town of the newly elected President, Mr. Silva, and frequently brings up all the economic benefits for the region of this initiative.

Source: *Revista Veja*, November 6, 2002-12-01

Canada

"The provincial government [of British Columbia] is going to court for a second time to seek hundreds of millions of dollars from the tobacco industry to help pay the health care costs of smokers... The constitutional validity of the new act [allowing the lawsuit] will be challenged by three tobacco companies -- JTI-Macdonald Corp., Imperial Tobacco Canada Ltd. and Rothmans Benson & Hedges Inc. "We're deciding whether the statute can be maintained," said lawyer Jack Giles, who is representing JTI-Macdonald Corp., which is owned by Japan Tobacco Inc. "If the statute is invalid, as we say it is, then their lawsuit has to be dismissed. If it's found valid, it's still subject to appeals." The Canadian Tobacco Manufacturers' Council ... said in a statement that..."The government has changed the rules so it does not have to name any individual who has allegedly suffered from smoking-related illness, prove the cause of the disease or even that health care was provided to that individual," the council said in a statement. Ontario and Newfoundland and Labrador have adopted similar legislation."

Sources: B.C. wants tobacco companies to ante up - *Vancouver Sun*, November 2, 2002

<http://www.canada.com/search/story.aspx?id=dc5acdfb-7aeb-4a1d-9343-f4cc43a9f068>

Tobacco manufacturers and B.C. Government return to court November 4 - *CNW*

<http://www.newswire.ca/releases/October2002/31/c6822.html>

Billions at stake in cigarette fight - *CBC Vancouver*

http://vancouver.cbc.ca/template/servlet/View?filename=bc_tobacco021104

B.C. provincial legislation rules out recovering health-care costs from cigarette manufacturers: tobacco lawyer - *Ottawa Citizen/CP*, November 5, 2002

<http://www.canada.com/ottawa/story.asp?id=%7BCD01CC7A-AE6B-471D-B84E-B32FE6461070%7D>

The battle against Big Tobacco continues - *Canada.com/Vancouver*

<http://www.canada.com/vancouver/news/story.asp?id=%7B2A5D5B3C-9239-46D1-BB49-F1BFCD9753B5%7D>

"A group representing non-smokers and academics wants an ethics program at the University of Toronto to return a \$150,000 grant from a tobacco company. The grant [is] from Imperial Tobacco Canada to St. Michael's College, part of the University of Toronto... Dr. Richard Alway, president of St. Michael's, said the college doesn't plan to return the grant, which was approved in 2001 by the Montreal-based tobacco company. Alway said St. Michael's application for the funding went to college alumnus Bob Bexon, Imperial's president who sits on a committee which assesses requests for donations... The [grant] was among more than \$8 million in grants handed out by Imperial to various applicants in 2001..."

Sources: Health group condemns the University of St. Michael's College for funding an ethics program with tobacco money - *NSRA/CNW*, November 5, 2002

<http://www.newswire.ca/releases/November2002/05/c8463.html>

Fumes over grant - *Toronto Sun* <http://www.canoe.ca/TorontoNews/ts.ts-11-06-0044.html>

Anti-tobacco group wants U of T to return donation from cigarette company - *Canada.com/CP*

<http://www.canada.com/search/story.aspx?id=02cbce8b-f0e6-46ef-9bfe-67669ec3fb10>

Return donation from cigarette company, university urged - *The (Halifax) Herald/CP*

<http://www.herald.ns.ca/stories/2002/11/06/fCanada.html>

There was another article discussing the impact of the trend to switch to cheaper brands and how it affected Rothmans Inc. "...Over the first half of 2002, cigarette volumes fell by an average of 10.7% among Canada's three major tobacco companies as smokers have either quit or switch to cheaper alternatives. Rothmans, which makes one-fifth of Canada's cigarettes, has made up partially for the loss in cigarette revenue by selling more of its lower-margin fine-cut products (such as loose tobacco)."

Source: Cash cow choking on cheaper cigarettes - National Post/Financial Post, November 6, 2002
<http://www.nationalpost.com/utilities/story.html?id={2606A669-6080-4630-81F8-FAB0B91648C2}>
www.rothmansinc.ca

An article at the Montréal Gazette discusses the in-store displays of cigarettes in convenience stores and how such promotional practices are not covered by existing advertising restrictions legislation in different provinces and that the tobacco industry and retailers opposes more restrictive measures. "Tobacco is a legal product and it's certainly our constitutional right to display a legal product," said John McDonald, spokesman for Rothmans, Benson & Hedges Inc., "...Retail displays have nothing whatsoever to do with why young people or anybody else smokes."... Expect cigarette displays to get flashier where they're still allowed. As of next October, cigarette-makers will have more cash to throw around because they will be barred from sponsoring sports and cultural events. Tobacco firms have found inventive ways to exploit the legal, in-store-marketing loophole. For one thing, the displays are getting bigger. Tobacco firms are also changing in-store racks so that packages are arranged to cover most health warnings, which are legally required. Others are promoting their brands by piling up dozens of boxes of roll-your-own cigarette tubes, which don't require warnings..."

Source: Displays generate heat - The Gazette, November 8, 2002
<http://www.canada.com/search/story.aspx?id=e43be651-6238-4653-be5a-cdc5a5033073>
<http://www.canada.com/search/story.aspx?id=c4140715-948a-40t7-a4e3-8927eafc3098>

A Health Canada study found that "two of every three smokers of "light" cigarettes switched from "regular," and they did so largely based on the mistaken belief that the "milder" versions pose fewer health risks" and "one-third of smokers of light cigarettes would have quit smoking had regular cigarettes been the only kind available." Such findings strengthen the case for banning "lights" and "mild" descriptors but cigarette manufacturers "rejected calls to stop using the terminology voluntarily, and have vowed to fight regulations banning their use." John Wildgust, director of corporate affairs of JTI-Macdonald Corp., responded to reports of the study stating that in the study "... JTI-Macdonald Corp. has never made any claim of health benefits associated with low-tar cigarettes. In fact, our position is that there is no safe cigarette. Clearly, the vast majority of smokers agree. It is absurd to suggest that removing descriptive terms such as "light" and "mild" would contribute anything to consumers' understanding of the risks of smoking. Rather, we recommended earlier this year that Health Canada mandate a new warning message on this subject and consider making more prominent use of the tar and nicotine test results, which also are mandated by Health Canada. The range of those test results demonstrably shows that the amount of tar and nicotine you inhale may vary depending on how you smoke. Far from being part of any "continuing deception," we have consistently offered to work with the government on these matters."

Sources: Smokers swayed by labels, poll says - Globe & Mail, November 12, 2002.
http://www.globeandmail.com/servlet/ArticleNews/PEstory/TGAM/20021112/USMOKN/Headlines/Headlines/headdex/headdexNational_temp/9/9/25/
'Mild' rebuke - Globe & Mail, November 14, 2002
http://www.globeandmail.com/servlet/ArticleNews/PEstory/TGAM/20021114/THULETS-9/Headlines/headdex/headdexHealth_temp/2/2/4/

"The photos on the Web site [www.theicebox.ca] show happy young people dancing and drinking in a trendy club, surrounded by the colours and logo of new Kool brand cigarettes. No health warnings are shown. The site is restricted to adults but anybody can enter simply by declaring they are over 19. Imperial Tobacco Canada says its site, one of several run by it and other Canadian cigarette-makers, is legal because it is related to the legal sponsorship of a series of concerts in Canadian nightclubs restricted to adults and smokers... In Europe, a site promoting West brand smokes includes online games - a blatant targeting of youth, [tobacco control] activists say. ... Tobacco firms can advertise on-site at sponsored events, in places where young people aren't allowed by law, in direct mailings to adults, and in publications with more than 85-per-cent adult readership. ... Christina Dona, a spokesman for Montreal-based Imperial Tobacco, said its promotional Web sites are legal because they have a "screening process" to bar kids and are therefore publications with adult readership. "We're complying with the legislation," she said. "We only want to speak with legal consumers." She said Imperial Tobacco, Canada's biggest cigarette-maker, "doesn't advertise to get people" to smoke. Instead, it's "competing for adult consumers who have chosen to smoke."

Sources: Smoking out Big Tobacco - The Gazette, November 13, 2002
<http://www.canada.com/search/story.aspx?id=31f304a8-9aa2-4c65-b4cc-11446cf85a98>

Anti-smoking lobby wants Ottawa to strengthen controls on tobacco marketing - Ottawa Citizen/CP, November 12, 2002

<http://www.canada.com/ottawa/story.asp?id=%7BD6D33EFA-B2EA-49E9-972B-CC8719ACCE53%7D>

"Imperial Tobacco blew the smoky veil from its multi-million-dollar business with an unprecedented media tour... "Part of government policy is to de-normalize the Canadian tobacco industry and demonize us in order to discourage people from smoking. It makes it very hard to have a dialogue," Imperial Tobacco Canada spokesperson Christina Donà said during a day-long tour for more than 20 journalists. "We're trying to be more proactive, rather than reactive. It's a controversial industry and there's a sense we've been under attack (from government). But it is a legal product and it is a legal industry."... Imperial and its major competitors are awaiting a key ruling from Quebec Superior Court. The complex case is expected to decide whether the federal Tobacco Act — which limits all cigarette sponsorships and advertising, especially to young people — is unconstitutional and unfairly limits the right of tobacco companies to do business and market a legal product. "The timing (of the media tour) is not strategic in any way," said Donà, while acknowledging the act has made it virtually impossible for Imperial to advertise three new products it's introduced this year. "We're trying to dispel some of the misconceptions and myths about the product."

Source: Imperial tries to burnish its image - Toronto Star, November 20, 2002

http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Layout/Article_TypeI&c=Article&cid=1035774620120&call_pageid=9683500

United States

"Brown & Williamson Tobacco Corp. has signed a five-year, eight-figure contract with KnowledgeBase Marketing Inc. for customer relationship management technology and analytic services. The sizable investment marks a sea change in the industry's outlook on the importance of direct marketing: As recently as 1999, the top five U.S. cigarette companies spent just a little under \$95 million on direct mail, out of total marketing expenditures of \$8.24 billion. ... KnowledgeBase will ... synthesize B&W's multisource identity verification efforts, which prevent the Louisville, KY-based tobacco company from contacting underage consumers or adults who don't want information on tobacco products.

Source: Brown & Williamson Invests in CRM - Hoover's Online, November 1, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR200211012500.6.5_f4aa0010f54bf559

An article on the NY Times discussed industry solutions to reduce second hand smoke in the context of the smoke free proposal of Mayor Bloomberg, which would make bars and restaurants smoke free. "...Whatever happens [to the NY proposal], tobacco companies and individual smokers have clearly read the second-hand smoke signals, and they are coming up with inventions designed to reduce smoke from a burning cigarette. ... Because much of the side-stream smoke comes from the burning paper wrapper, cigarette makers have tried a variety of techniques to reduce the paper's burn rate. ... Experiments were conducted with cigarettes that extinguished themselves when not being smoked. And devices were created to capture or contain side-stream smoke." The article mentioned several US patents filed by tobacco companies in their quest for a smokeless cigarette.

Source: Stan Shatenstein, Globalink News & Information. Patent to Reduce Secondary Smoke - New York Times, November 4, 2002

<http://www.nytimes.com/2002/11/04/technology/04PATE.html>

Cigarette sidestream smoke and free-burn rate control device. United States Patent 6,371,127

<http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=/netahtml/search-bool.html&r=1&f=G&l=50&col=AND&d=ft00&s1=6,371,127&OS=6,371,127&RS=6,371,127>

Low sub-flow smoke type cigarette

A low-sidestream-smoke cigarette comprises a dual-structure wrapper that wraps filler. United States Patent 6,405,734

<http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=/netahtml/search-bool.html&r=1&f=G&l=50&col=AND&d=ft00&s1=6,405,734&OS=6,405,734&RS=6,405,734>

Cigarette having reduced sidestream smoke, United States Patent 6,367,481

Nichols, et al. April 9, 2002

<http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=/netahtml/search-bool.html&r=1&f=G&l=50&col=AND&d=ft00&s1=6,367,481&OS=6,367,481&RS=6,367,481>

Portable cigarette smoking apparatus, United States Patent 6,349,728

<http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=/netahtml/search-bool.html&r=1&f=G&l=50&col=AND&d=ft00&sl=6,349,728&OS=6,349,728&RS=6,349,728>

Washington state Attorney General Christine Gregoire "is trying to force an Internet cigarette dealer to cough up its list of Washington customers so the state can levy its steep tobacco tax on them... "We estimate that contraband cigarettes maybe account for \$250 million of lost revenue," Gregoire said. "It's lost taxes to the state of Washington that goes without saying. It's also not fair to the brick-and-mortar store in Washington that's abiding by the law." The lawsuit filed in Thurston County Superior Court seeks an injunction against dirtcheapcig.com, which sells cigarettes online from Kentucky, forcing the company to disclose its customers within Washington... But Matthew Fairshter, the company's lawyer, argues that the law was designed to regulate the shipment of untaxed cigarettes from one state into another. The smokes sold by dirtcheapcigs.com are all duly taxed in Kentucky, he argues."

Source: AP, November 1, 2002

http://seattletimes.nwsourc.com/html/localnews/134567219_netcigs01m.html

Brown & Williamson Tobacco "has started test marketing a new cigarette touted as significantly reducing toxins from cigarette smoke compared with leading low-tar and low-nicotine brands" the Advance Lights cigarettes. "The cigarette contains less toxins because of a special filter and a new tobacco-curing process, which represent a breakthrough in cigarette technology, said Sharon Boyse, the company's director of research. "While there is no such thing as a safe cigarette, the fact that Advance Lights contains less toxins ... is an important step in the right direction," Boyse said." In related news it was reported that Adnace packs had an insert with information stating 'Brown & Williamson Tobacco is providing this information so adult consumers have a basis for making informed choices. There is no such thing as a safe cigarette. ADVANCE [:] All of the taste ... Less of the toxins. Reduced levels of toxins compared to the leading lights brand styles. There is not enough medical information to know if Advance with less toxins will lower health risks.'... B&W thinks it's the simplest way to get the message across. "It seems to be the clearest and most impactful statement we could make of the facts that are behind Advance and the product itself. We did not want to get into the polysyllabic chemical names and toxins," said Paul Wessel, divisional vice president of value-for-money, premium-niche and new products at B&W. Those complicated chemical names are listed in literature attached to every pack of Advance, showing the 20% to 80% reduction in various toxins. ... Marketing support includes in-store, direct mail, newspaper and magazine ads ... Ads feature a picture of a man or a woman's eye, using both sexes to appeal."

Sources: Ads for new cigarette admit tobacco toxicity - Advertising Age, November 5, 2001

<http://www.adage.com/news.cms?newsId=33338>

AP, November 11, 2002

<http://more.abcnews.go.com/sections/living/dailynews/healthycig011106.html>

Tobacco companies had intensified its college based promotions and promotions at other young adult gatherings. Such promotions include distribution of free samples in exchange to students providing their names for tobacco companies databases. "In 1994, the first full year that Washington [state] tracked the practice, there were 44 tobacco sampling events. Last year, there were 1,248."

Source: The Spokesman-Review, November 3, 2002

<http://www.spokesmanreview.com/news-story.asp?date=110302&ID=s1246146>

"Brown & Williamson Tobacco Corp. is reaching out to Oregon smokers facing cigarette price shock following the state's huge tobacco tax hike ... Oregon's excise taxes on cigarettes skyrocketed more than 88 percent Nov. 1, an increase of \$6 per carton, or 60 cents an individual pack. Brown & Williamson said it is committed to providing smokers an alternative to paying higher prices. The tobacco company launched a public relations campaign telling Oregon smokers they could offset the higher tax by selecting its Pall Mall premium cigarette brand, which is being offered at a lower price. The campaign is being supported statewide through direct-mail advertising and point-of-purchase displays at convenience stores..."

Source: Convenience Store News, November 4, 2002

http://www.csnews.com/csnews/headlines/article_display.jsp?vnu_content_id=1754528

"Florida voters overwhelmingly banned smoking in the workplace, including about 12,000 restaurants and bars statewide. The Sunshine State joins California, Maine, Utah, Vermont and Delaware that ban

smoking in public places. ... [The] smoking ban affects about 82,000 "enclosed workplaces" but excludes stand-alone bars with outdoor seating areas, designated guest rooms in hotels and home businesses that don't provide child care. Restaurateurs and other opponents said they should be free to decide how best to serve their customers, said Carol Dover, president of the Florida Restaurant Association. Big Tobacco opted out of the ballot fight but will be expected to push hard with a lobbying effort next spring when the Legislature starts codifying the amendment that voters approved ...

Source: Voters' mandate: Public smoking to be snuffed out - Miami Herald, November 6, 2002
<http://www.miami.com/mld/miami/4453701.htm>

"Philip Morris Cos. and other cigarette makers urged a state appeals court in Miami to throw out a \$145 billion jury award to Florida smokers, the largest verdict in U.S. legal history. Tobacco companies, which say they may face bankruptcy if the 2-year-old verdict stands, asked a three-judge panel to reverse the trial judge's decision to allow all sick Florida smokers to be represented as a group. Industry lawyers argued the verdict is excessive and that Judge Robert Kaye mishandled the trial. "There is no paintbrush big enough to cover up the flaws in the trial plan," industry lawyer Elliott Scherker told the court... Philip Morris's share of the damages would be \$74 billion; R.J. Reynolds \$36.3 billion; Brown & Williamson, \$17.6 billion; Lorillard \$16.3 billion, and Liggett \$790 million. At the next phase of trial, each plaintiff will have to go to court to seek compensatory damages to qualify for a piece of the \$145 billion award. The industry argues that no damages should be paid until claims by every member of the class have been litigated, a process that might take 75 years."

Source: Tobacco Companies Seek Dismissal of \$145 Bln Verdict - Bloomberg News, November 6, 2002

http://quote.bloomberg.com/fgcgi.cgi?ptitle=Top%20Financial%20News&sl=blk&tp=ad_topright_topfin&T=markets_box.ht&s2=ad_right_topfin&bt=ad_position_topfin&box=ad_box_all&tag=financial&middle=ad_frame2_topfin&s=APcIV4hTwVG9jYWNj

"Philip Morris Companies Inc. has decided to consolidate its vast collection of tobacco documents, meaning the law firm of Shook Hardy & Bacon will no longer oversee one of the biggest repositories of tobacco papers in the country. The move by Philip Morris eventually could lead to the layoffs of dozens of analysts, paralegals and document clerks at Shook, which will continue to handle litigation for Philip Morris. The company is the law firm's biggest client. ... "It's partly a matter of economics, partly a matter of efficiency," [PM counsel] Ohlemeyer said. "We're bringing the process closer to the business and closer to the lawyers managing the litigation internally."

Source: Kansas City Star, November 05, 2002

"A dying Sacramento [California] man claims that two of the country's largest tobacco companies defrauded the public and concealed the addictive and cancer-causing effects of smoking cigarettes, then targeted the nation's youths as prime customers, a lawyer said [during opening statements of the court case] ... Theodore M. Grossman of Cleveland, the attorney who represents R.J. Reynolds, told jurors that his client doesn't dispute the fact that cigarettes are hazardous. "This case is not about whether cigarettes are safe. They are not safe," Grossman said. [Plaintiff's attorney] Paul said that "In one 1953 document from R.J. Reynolds, Claude Teague, a researcher for the company, concluded that there was a 96.1 percent correlation with lung cancer patients who were also long-term smokers..."Grossman accused Paul of taking excerpts out of context and "doesn't give fair representation" to Teague's real conclusion, which was that the cause for cancer was unknown."

Source: Tobacco firms hid smoking's effects, jury is told - Sacramento Bee, November 8, 2002
<http://www.sacbee.com/content/news/story/5114486p-6120676c.html>

"Endovasc Ltd. Inc.- a biotechnology company with two cardiovascular drugs approved for final FDA Phase III human trials - announced today that Philip Morris and Endovasc have signed an agreement according to which Philip Morris has extended a grant for a one-year period to further study the potential for broad practical use of Endovasc's nicotine-based heart treatment, Angiogenix(TM). ... Angiogenix(TM) is a simple, small molecule derived from the tobacco plant that, when given in low doses, has demonstrated remarkable results in stimulating robust growth of new vessels in four different animal experiments with simulated blood-flow deficiencies, suggesting that it will do the same in a human patient's heart and limbs ... "Philip Morris' continuous support will be instrumental in making Angiogenix(TM) available for broad clinical application," says Dr. David P. Summers, chairman and chief executive officer of Endovasc."

Source: Business Wire, November 6, 2002

http://www.businesswire.com/cgi-bin/f_headline.cgi?day0/223100070&ticker=envc

“Loews Corp., the conglomerate controlled by financier Laurence Tisch, had a 45 percent rise in third-quarter earnings as its insurance unit returned to profitability. ... Lorillard earnings fell 26 percent to \$277 million. A drop in shipments of Kent, Newport and True cigarettes depressed Lorillard earnings after the company stopped using promotions that helped boost sales last year...”

Source: Bloomberg News, November 7, 2002

http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APcqiKxXJTG9ld3Mg

Winston-Salem Journal

<http://www.journalnow.com/wsj/business/tobacco/MGB013Q198D.html>

The indoor smoking ban proposed by New York City Mayor Bloomberg is still being debated and it is uncertain when and if it will be approved. Several tobacco industry front groups representing different hospitality sectors continue to oppose the ban

Sources: Smoking Ban Could Go to Voters - New York Times, November 7, 2002

<http://www.nytimes.com/2002/11/07/nyregion/metrocampaigns/07SMOK.html>

Councilwoman Sees No Vote on Smoking Ban This Year - New York Times, November 13, 2002

<http://www.nytimes.com/2002/11/13/nyregion/13SMOK.html>

Round Two in Smoking Ban Debate – Newsday, November 13, 2002

<http://www.newsday.com/news/health/ny->

[nysmok133001757nov13_0.6501790.story?coll=ny%2Dhealth%2Dheadlines](http://www.newsday.com/news/health/ny-nysmok133001757nov13_0.6501790.story?coll=ny%2Dhealth%2Dheadlines)

Smoke bill chances burning up - New York Daily News, November 13, 2002

<http://www.nydailynews.com/news/local/story/35105p-33188c.html>

“Branding the recent cigarette tax hikes an unconstitutional sham that is failing to produce promised additional revenues, tobacco wholesalers will file a lawsuit to eliminate the increase. The suit, to be filed in Manhattan Supreme Court by the state Association of Tobacco and Candy Wholesalers, said the state and city will lose more than \$200 million in taxes this fiscal year. The reason, court papers say, is that smokers are buying on the black market or on the Internet to evade the increases.”

Sources: Tobacco group files lawsuit to snuff levies - New York Daily News, November 12th, 2002

<http://www.nydailynews.com/11-12-2002/news/story/34821p-32938c.html>

Wholesalers to file suit seeking elimination of cigarette tax hike - Newsday/AP, November 12, 2002

http://www.newsday.com/news/local/wire/nv-bc-ny--cigarettetax-laws1112nov12_0.6806779.story

A study based on industry document and published in the December issue of Tobacco Control gathered media attention. As reported, the study states that tobacco companies “could have made self-extinguishing cigarettes decades ago, preventing thousands of fires, but chose not to ... Instead they opposed moves and tried to delay laws that would have made cigarettes safer and fireproof, the researchers said. ... According to the study, cigarette companies identified factors to improve safety more than two decades ago. But the Tobacco Institute, a United States industry body, opposed fire-safe laws in 1982 on the grounds that the technology did not exist.” ... “A spokeswoman for British American Tobacco told Reuters the company has been doing research into fire-safe cigarettes for the past 20 years in the United States. “But the U.S. government has still to come up with a test regarding these kinds of cigarettes,” she added. “Many governments around the world have put in considerable legislation to insure the use of flame retardant material in furniture design with a view to fire safety.”

Sources: Tobacco firms 'ignored fire-safe cigarettes' - Daily Telegraph, November 15, 2002

<http://portal.telegraph.co.uk/news/main.jhtml?xml=%2Fnews%2F2002%2F11%2F15%2Fntob15.xml&secureRefresh=true&requestid=6168>

Researchers: Laws for Fire-Safe Cigarettes Needed - Reuters, November 14, 2002

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1737474>

Researchers: Laws for Fire-Safe Cigarettes Needed - ABC News/Reuters

http://abcnews.go.com/wire/SciTech/reuters20021114_117.html

“Tobacco giant Philip Morris this week is putting 17-page booklets with its positions on smoking risks and policies into U.S. newspapers that will reach 16 million readers. The company said the campaign ... is a way to encourage people to visit its recently redesigned Internet site to learn more about tobacco's health risks, discouraging teen smoking and other topics.”

Sources: Tobacco Co. Puts Booklets in Papers - Newsday/AP, November 13, 2002

http://www.newsday.com/business/investing/wire/sns-ap-philip-morris-ads1113nov13_0.3849549.story?

Has Philip Morris Finally Come Clean? - ACSH ; November 22, 2002

http://healthfactsandfears.com/featured_articles/nov2002/philipmorris112202.html

Tobacco giant puts booklets on smoking risks into newspapers - Hoover's Online/AP

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021113140.5_58c40003be7f6b1d

Groups Say Philip Morris Newspaper Insert Effort to Cash in on Campaign Contributions - CTFK/U.S. Newswire <http://story.news.yahoo.com/news?tmpl=story&u=/021113/180/2oiaz.html>

"Coming soon to a convenience store near you: the first of about 130 million packs of Philip Morris cigarettes with a special message for smokers stuck on the back. The leaflet tucked under the cellophane wrap [is] an extended warning that "light" and "ultra light" cigarettes are no safer than regular smokes. In it, Philip Morris Cos. says that the tar and nicotine levels included in all cigarette ads aren't necessarily good indicators of how much of those substances smokers actually inhale. The company also tells smokers: "You should not assume" that so-called low-tar cigarettes are "less harmful than 'full flavor' cigarette brands or that smoking such cigarette brands will help you quit smoking." For a limited time, the pamphlet will be put on every pack of "light," "ultra light," "mild" or "medium" cigarettes Philip Morris makes for sale in the U.S., and should reach about 86% of the smokers who buy those styles of its cigarettes, the company says. Philip Morris's new-found desire to reach out so aggressively to its customers with this cautionary message comes as the company faces growing pressure from public-health advocates who say that descriptive terms such as "light" and "low-tar" are misleading and should be banned altogether. ... Michael Pfeil, a spokesman for Philip Morris, says the message about low-tar cigarettes is part of the company's "continuing effort to share with adult smokers information about the health risks of smoking." Mr. Pfeil adds: "It's the responsible thing to do to more broadly disseminate that information."... The huge leaflet drop is also a part of Philip Morris's ongoing good-corporate-citizen campaign. This month the company has put 15.8 million inserts in newspapers across the country that discuss issues ranging from the health consequences of cigarette use to quitting smoking and second-hand smoke. ... At the moment, protecting its ability to market light and low-tar cigarettes seems to be at the top of Philip Morris's list. The company and other cigarette makers have invested a lot of money in light cigarettes. Low-tar cigarettes now account for more than 60% of the market, and the companies are loath to give up the powerful identifying words they have spent years burning into smokers' minds. If they lose the battle, executives cling to the hope that smokers are sufficiently programmed to order by color, asking for "Marlboro Golds" even if the word "light" is expunged."

Source: Warning on 'light' cigarettes - MSNBC/Wall Street Journal. November 20, 2002

<http://www.msnbc.com/news/837496.asp?0cv=BB40&cp1=1>

Philip Morris Adds Disclaimers - New York Times/AP

<http://www.nytimes.com/aponline/business/AP-Philip-Morris-FTC.html>

Philip Morris Packages Warn 'Light' Isn't Safer - Los Angeles Times/Bloomberg News

<http://www.latimes.com/business/la-fi-smoke21nov21.0.646101.story?coll=la%2Dheadlines%2Dbusiness>

Philip Morris to place inserts in cigarette packs - Reuters

<http://www.reuters.com/financeNewsArticle.jhtml;jsessionid=15PYCFYF4G25WCRBAEZSFY?type=governmentFilingsNews&storyID=1770727>

Philip Morris/FTC:Co Puts Disclaimer On Cigarette Packs - Dow Jones Newswires

http://biz.yahoo.com/djus/021120/1237000629_1.html

"Philip Morris U.S.A. has asked the Federal Trade Commission (FTC) to promulgate new rules governing the disclosure of average tar and nicotine yields of cigarette brands. The Company filed a petition in September of this year asking the FTC to take action in response to evolving scientific evidence about low-yield cigarettes, including the National Cancer Institute's Monograph 13, which represents a fundamental departure from the scientific and public health community's prior thinking about the health effects of low-yield cigarettes." In response to Philip Morris action, Star Tobacco Inc. said: "We are gratified to know that Philip Morris has joined in following our lead in providing adult smokers more, and not less information, about cigarettes that bear descriptors such as "light" and "ultra-light". We understand that their company will adopt, on a short-term basis, the practice that we pioneered of using cigarette package inserts to communicate with adult consumers about the meaning of such descriptors... It is important to note that these changes are taking place despite the absence of a comprehensive regulatory structure to oversee the manufacture and marketing all tobacco-containing products.

Source: Philip Morris U.S.A. Asks Federal Trade Commission To Act on Conclusions of National Cancer Institute Report - Business Wire
<http://www.stockhouse.com/news/news.asp?tick=MO&newsid=1411740>
Business Wire, November 20, 2002
http://www.businesswire.com/cgi-bin/f_headline.cgi?day0/223242396&ticker=stsi

"In a blow to the tobacco industry, the Louisiana Supreme Court ordered a plan for a class-action trial that will first focus a jury's attention on whether cigarette-makers conspired to keep smokers hooked. The suit, filed in 1996, does not seek individual damages, but asks for the tobacco industry to pay for smoking cessation programs and medical monitoring for Louisiana smokers. In a 6-1 decision, the high court said the trial's first phase would concentrate on such issues as the marketing of cigarettes to children, the alleged manipulation of nicotine levels, manufacturing a dangerous product and whether the industry engaged in fraud and conspiracy. If the industry is found liable in the first phase of the trial, other phases will be held to deal with individual issues and the setting of damages. If the industry wins the first phase, the trial is over. ... Phil Wittmann, an attorney representing the tobacco industry, said ... the industry was considering asking the Supreme Court to reconsider its decision."

Source: La. Tobacco Trial Plan Rearranged - Newsday/AP. November 15, 2002
<http://www.newsday.com/business/investing/wire/sns-ap-tobacco-lawsuit115nov15.0.6617053.story>

The Philip Morris brands of "light and ultralight cigarettes distributed in Missouri and Southern Illinois -- Marlboro, Merit and Virginia Slims, among others -- now contain an insert entitled "information for smokers." It says, in essence, that everything you've been led to believe by three decades of very expensive advertising is wrong. The appearance of those inserts in Missouri and Illinois is no coincidence. Philip Morris is being sued in both states, along with ... R.J. Reynolds and Brown & Williamson."

Source: St. Louis Post - Dispatch, November 16, 2002
http://brownw.newsreal.com/pages/brownw/Story.nsp?story_id=34423503&ID=brownw&scategory=Tobacco&

Vector Tobacco is preparing to launch Quest, a lower nicotine cigarette early next year. "Quest is a major element going forward for this company," Bennett LeBow, CEO of Vector's parent, The Vector Group, told analysts during an earnings conference call. Sales of Vector's other "reduced carcinogens" product, Omni, have been minimal. "Vector has developed three versions of the Quest cigarette -- One: Low Nicotine, Two: ExtraLow Nicotine and Three: Nicotine Free."

Source: Durham (NC) Herald Sun, November 19, 2002
<http://www.heraldsun.com/business/21-289764.html>

Researchers "presented evidence that the tobacco industry, particularly Philip Morris, experimented with genetically engineered tobacco as early as the 1980s in an effort to control nicotine levels in cigarettes. "There was an intersection of two research trends: biotechnology and the need for a low-nicotine cigarette," ... [The researchers] found evidence that Philip Morris paid \$1.5 million to biotechnology company Calgene, Inc., now a subsidiary of Monsanto Co., in 1986 to help it create a low-nicotine cigarette. That effort failed ... Nonetheless, Philip Morris continued to pursue the development of a low-nicotine cigarette aware that it was likely to be perceived as healthier, although it is not... A representative from Philip Morris could not be reached immediately for comment... So far, only one company, Vector Tobacco Inc., has sold cigarettes genetically engineered to be low-nicotine. However, the company's Omni-brand cigarettes haven't caught on, ringing up a paltry \$5.6 million in sales this year, according to its latest earnings report."

Source: Tobacco industry tinkers with biotech cigarettes - AP. November 20, 2002
<http://www.heraldtribune.com/apps/pbcs.dll/article?Date=20021120&Category=APN&ArtNo=211201130&Ref=AR>

Another paper published on the December issue of Tobacco Control received wide media attention in the United States: "American cigarette companies cultivated financial ties with most major civil rights groups in a widespread campaign to attract more black smokers and neutralize opposition to anti-smoking measures, according to tobacco industry documents unearthed by UCSF researchers. ... RJ Reynolds spokesman David Howard, who said he had not seen the paper and could not comment on its findings, said many companies contribute to organizations strategically. "We do that so we have an opportunity to have our side heard," Howard told the Associated Press. ... Among the documents is a 1984 memo ... "Clearly, the sole reason for B&W's interest in the black and Hispanic communities is

the actual and potential sales of B&W products within these communities and the profitability of these sales. . . . This relatively small and often tightly knit (minority) community can work to B&W's marketing advantage, if exploited properly," the marketing memo states. A 1991 memo from RJ Reynolds describes a meeting with the Michigan Black Legislative Caucus, where the company was asked to contribute to a black owned hospital. "(We) were assured that our support would be welcomed, regardless of the probable criticism of anti-smoking activists. We were further assured that (the caucus) would in turn support us," the memo states.

Source: Tobacco firms courted rights groups - San Francisco Chronicle, November 21, 2002

<http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2002/11/21/MN51597.DTL>

DeHavilland Information Services plc (uk)

<http://www.dehavilland.co.uk/opennewsrec.asp?ItemID=10564&UID=9613&SID=8&FID=10&XSL=/dhIncludes/DHNewsItem.xml&SrvID=10>

UCSF study says tobacco companies targeted black groups - Modesto Bee/AP

http://www.modbee.com/state_wire/story/5260891p-6266644c.html

African American leadership groups: smoking with the enemy - Tobacco Control

<http://tc.bmjournals.com/cgi/content/full/11/4/336>

"Snuff and chewing tobacco firm Swedish Match, so far little affected by health-related legal action against the industry, said it faced a rare class action suit in the United States. ... Despite a plethora of recent court cases in the United States against the tobacco industry, suits involving smokeless tobacco such as snuff and chewing tobacco are extremely rare. Swedish Match said in a statement the suit filed in Miami, Florida, was against United States Tobacco Company and other companies including Pinkerton Tobacco Company and Swedish Match North America, Inc. The suit is for damages to an unspecified amount for the alleged medical consequences of using smokeless tobacco, including but not limited to addiction. "Swedish Match believes there are strong arguments against the allegations in the complaint and intends to defend itself vigorously," the company said. "We do not worry this could lead to liability to pay damages. Our position is that the claim is without merit," Swedish Match Senior Vice President Bo Aulin told Reuters.

Source: Swedish Match in U.S. class action suit - Reuters, November 14, 2002

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1737001>

United States/Canada

"Canada lost a Supreme Court case over its attempt to use a U.S. anti-racketeering law to sue over cigarette smuggling. Canadian leaders contend R.J. Reynolds Tobacco Co. tried to get around taxes by smuggling tobacco into Canada through an Indian reservation. ... The Supreme Court refused to consider reinstating the case, signaling that countries must use their own courts to pursue American companies they accuse of wrongdoing. ... The case has been pending for months at the Supreme Court. Part of the delay came after justices asked the Bush administration last spring to offer its opinion. The administration sided with R.J. Reynolds ... Jeffrey S. Sutton, the attorney for R.J. Reynolds, warned that if the Canadian lawsuit was allowed, it would "open American courts to an onslaught of foreign tax claims" from countries that unlike Canada were not U.S. friends." "In a statement released today, JTI International (JTI) expressed satisfaction at the United States' Supreme Court decision ... "Lawsuits of this type - from any country or supranational organizations - will be vigorously defended," said Guy Côté, Vice President, Media Relations for JTI. "They are blatant attempts to squeeze money out of a disfavoured, yet legal, industry, by trying to use the U.S. legal system which is perceived as being more generous," he added. "We will do what we can to fight contraband, but we cannot do it alone," stated Mr. Côté. "The root cause of the black market is excessive cigarette taxation as the actual crisis in Canada keeps indicating," he emphasized. "Our subsidiary, JTI-Macdonald in Canada, spent much defending itself and would rather invest in genuine efforts to deal with the roots of the problem. Today's result was predictable from the outset of this litigation, given the importance of the revenue rule to the United States and other countries, including Canada. It raises questions as to whether Canadian officials were properly advised about the real likelihood of today's outcome or whether they were simply determined to press on regardless of the advice," concluded the JTI spokesman."

Sources: Supreme Court turns down Canada's cigarette smuggling lawsuit - Newsday/AP, November 4, 2002 http://www.newsday.com/news/local/wire/ny-bc-ny--scotus-tobacco1104nov04.0.1950178_story

Top Court Won't Review Cigarette Case - Reuters, November 4, 2002

http://www.reuters.com/news_article.jhtml?type=businessnews&StoryID=1675296

Supreme Court decision ends Canada's three-year misguided legal battle in the U.S. - CNW, November 4, 2002 <http://www.newswire.ca/releases/November2002/04/c8032.html>

Court clears US tobacco giant - BBC News, 5 November, 2002

<http://news.bbc.co.uk/1/hi/business/2402509.stm>

R.J. Reynolds Fights Off Canadian Smuggling Appeal - Bloomberg News, November 4, 2002

http://quote.bloomberg.com/fcgcgi.cgi?T=marketsquote99_news.ht&s=APcbmJBSdUi5KLiBS

High Court Rejects Canadian Suit Against R.J. Reynolds - Dow Jones Newswires, November 4, 2002

http://biz.yahoo.com/djus/021104/1108000445_1.html

Supreme Court decision ends Canada's three-year misguided legal battle in the U.S. - CNW/PRNewswire, November 4, 2002

<http://www.newswire.ca/releases/November2002/04/c8032.html>

R.J. Reynolds Tobacco Company: U.S. Supreme Court Refuses to Hear Canadian Cigarette Smuggling Suit. November 4, 2002 http://biz.yahoo.com/prnews/021104/chm020_1.html

Canada may pursue other means after tobacco case fails in U.S. Supreme Court - CP-AP

<http://www.canoe.ca/NationalTicker/CANOE-wire.Scotus-Tobacco-Cda.html>

Contrebande de cigarettes: le Canada débouté aux États-Unis - La Presse/PC

http://www.cyberpresse.ca/reseau/actualites/0211/act_102110153719.html

The Los Angeles Time ran an extensive feature on Les Thompson, former employee of Canada's RJR-MacDonald Inc., who was instrumental in that company's contraband scheme and ended up pleading guilty to money laundering and spending 2 years in U.S. prison. RJR paid a fine and portrayed Thomson as a rogue employee. These days, he is a "key figure in civil suits and criminal investigations into the global trade in contraband smokes. He has been cooperating with investigators from the United States and the European Union. "I'm looking forward to going to court and telling the story under oath," he said in an interview. ... Thompson has also told his insider's story to Canadian investigators in a probe that is expected to result in criminal charges against tobacco firms, officials and suppliers -- possibly including his former superiors at RJR-MacDonald... Representatives of R.J. Reynolds referred questions about Thompson to Japan Tobacco International, which acquired Reynolds' international business in 1999. A spokesman for Japan Tobacco, Guy Cote, said the company could not comment because of the Canadian investigation. But he cautioned against taking the word of "a convicted felon" who took kickbacks." Tobacco companies continue to deny any involvement with worldwide cigarette smuggling schemes, despite evidence to the contrary. Thompson said that at the peak, "RJR-MacDonald made a weekly profit of \$1.2 million to \$1.3 million from the contraband trade and saw an increase in its market share. ... [At the time] the tobacco companies blamed the rampant smuggling on the Canadian government, saying excessive taxation had created irresistible incentives for crooks. But a 1993 letter that surfaced years later in U.S. tobacco litigation suggested that the companies knowingly exploited the black market. The letter was from R. Don Brown, chairman of Imperial Tobacco, to his superior in London, Ulrich Herter, managing director for tobacco at Imperial's parent, British-American Tobacco. "As you are aware, smuggled cigarettes due to exorbitant tax levels represent nearly 30 percent of total sales in Canada, and the level is growing," Brown wrote. "Although we agreed to support the Federal government's effort to reduce smuggling by limiting our exports to the U.S.A., our competitors did not. ... Subsequently, we have decided to remove the limits on our exports to regain our share of Canadian smokers.... Until the smuggling issue is resolved, an increasing volume of our domestic sales in Canada will be exported, then smuggled back for sale here."..." The article is a very comprehensive review of the events related to the Canadian case and the effect it had on cigarette taxes in that country.

Source: Stan Shatenstein, GLK News & Information;

Cigarettes, Greed and Betrayal: An Insider's Saga - Los Angeles Times. November 10, 2002

<http://www.latimes.com/business/la-fi-smuggle10nov10.story>

Tobacco insider talks - The Gazette <http://www.nsra-adnf.ca/english/gazinsider1.html>

Tobacco insider talks: Part 2 - The Gazette <http://www.nsra-adnf.ca/english/gazinsider2.html>

Tobacco Companies Linked To Criminal Organizations In Lucrative Cigarette Smuggling - ICIJ

http://www.publici.org/story_01_030301.htm

Letter: Don Brown, ITL to Ulrich Herter, BAT, June 3, 1993 http://www.publici.org/ITL_to_Herter.pdf

BAT exposé - The Guardian <http://www.guardian.co.uk/bat>

United States/Venezuela

"...Florida's 3rd District Court of Appeal effectively closed the state's courts to [foreign counties'] lawsuits [by] affirming the dismissal of a case brought by Venezuela in Miami-Dade Circuit Court...The 3rd District Court of Appeal dismissed Venezuela's case on the grounds that its claims

were too remote and indirect. The court held that, if there was harm, it was not the country that was damaged. Other foreign governments that filed suit in Miami-Dade Circuit Court with similar claims include Honduras, Tajikistan, the Russian Federation and several states in Brazil. Joel S. Perwin... which filed the suits in Miami-Dade Circuit Court on behalf of the foreign governments, said his clients will appeal to the Florida Supreme Court... "Federal courts in this country have uniformly rejected such lawsuits. Because similar rules apply regardless of where these cases are filed or who files them, these cases should be dismissed whether they are filed in state or federal court," said William S. Ohlemeyer, vice president and general counsel of Philip Morris."

Source: Snuffed Out - Miami Daily Business Review/Law.com
<http://www.law.com/jsp/article.jsp?id=1032128879166>

Eastern Mediterranean

Iran

"Iran's state tobacco authority has signed an import and production deal with four foreign cigarette companies in a bid to cut down on massive smuggling... Authority director Ali Ghafori told the Iran newspaper that deals had been inked with Germany's Reemtsma, British American Tobacco (BAT), Japan Tobacco International (JTI) and South Korea's Korea Tobacco and Ginseng company... Under the deals they would be able to legally import their products into Iran's strictly controlled tobacco market. Reemtsma, BAT and JTI could also begin local production, Ghafori added. The multi-million dollar deal also involves the boosting of Iran's own domestic production facilities with the companies' eventual local production using Iranian-grown tobacco on the condition of improved quality."

Source: IranMania.com, November 20, 2002

<http://www.iranmania.com/news/ArticleView/Default.asp?NewsCode=13059&NewsKind=BusinessEconomy&ArchiveNews=Yes>

Europe

Bulgaria

"No changes happened in the period from July 22, 2002 to August 23, 2002 to make the Privatisation Agency ask for one-off improvement of the bids for Bulgaria's tobacco monopoly Bulgartabac, Apostol Apostolov, head of the Privatisation Agency, said at a press conference November 1. The time specified covers the period from the day four bidders submitted final offers to their ranking. The comment of the Privatisation Agency head comes several days after the Supreme Administrative Court overruled the decision of the Privatization Agency, with which the consortium of Tobacco Capital Partners and Clar Inns was named winning bidder for an eighty percent stake in Bulgartabac Holding. According to the court, the Privatization Agency had to ask for one-off improvement of the bids, because of the favourable changes in the financial condition of the company. In the opinion of the court this is a violation of the competition regulation. All bidders in Bulgartabac privatisation had equal access to the information on the financial condition of Bulgaria's tobacco monopoly, Apostol Apostolov underlined...." The Privatisation Agency announced it will appeal the ruling of the Supreme Administrative Court, which stripped the preferred buyer for Bulgaria's tobacco monopoly, the consortium Tobacco Capital Partners and Clar Inns, of its status.

Source: Moves in Bulgaria's Tobacco Monopoly Sale Defended

http://www.novinite.com/view_news.php?id=15728

Appeal against Ruling on Bulgaria's Tobacco Monopoly Confirmed. November 8, 2002

http://www.novinite.com/view_news.php?id=15998

Novinite.com (bg), November 16, 2002

http://www.novinite.com/view_news.php?id=16270

France

An appeal court in France confirmed that the publication in the magazine "Formules" of photos of race cars and drivers in which a cigarette brand appear constitute indirect tobacco advertising and fine the editor of the magazine.

Source: Comité National Contre le Tabagisme, November 8, 2002

Altadis announced strong third quarter results which analysts claim will make the company less likely to be the next target for a merger or take over by one of the larger tobacco companies.

Source: The Wall Street Journal Interactive Edition

http://online.wsj.com/article/0,,BT_CO_20021114_002585,00.html?mod=COMPANY

Germany

An article published in the German magazine Stern discussed the association between German cigarette companies association, Verband der Cigarettenindustrie (VdC), and its director, Ernst Brückner, accused of manipulating information and government policies in the area of tobacco. The long and comprehensive article states, among other things, that Bruckner was responsible for using the unions and the manufacturers of vending machines to oppose increase taxation on cigarettes. The article also shows how VdC paid journalists to disseminate only the industry's view on smoking and health issues, how the industry used intimidation to undermine efforts within the ministry of health to advance tobacco control, and how VdC financed pro-tobacco studies published in prestigious medical journals and mention several names of people linked to the tobacco industry.

Source: Emanuelle Beguinot ; Kämpfer für den Qualm, 31 Octobre 2002

<http://www.stern.de/wirtschaft/spezial/magazin/artikel/?id=332461>

The Federal Association for Consumer Rights (vzbv) has sued the cigarette manufacturer JT International (formerly Reynolds) because of youth-referred cigarette advertisement. The cause is the new "Camel" campaign "slow down – pleasure up" because of the juvenile appearance of persons on billboard advertising. From the view of vzbv, the advertisement is an offence against the food and consumer article law (LMBG) and is incompatible and with the self obligation of the cigarette industry for the omission of youth-referred advertisement. ... Furthermore, the slogan "slow down - pleasure up" suggests an increased well-being through tobacco consumption... In the framework of the voluntary code, the cigarette industry committed itself not to show cigarette advertising with persons who are, or appear to be, younger than 30 years... The court proposed that both parties have 2 weeks to decide on a settlement: JTI should decide to stop advertising with 2 of the 8 motives and the Federal Association for Consumer Rights should abandon the lawsuit."

Source: Emanuelle Beguinot, Camel advertising "slow down – pleasure up" is been taken to court in Germany

Articles in German newspapers:

Der Tagesspiegel: 21.11.2002

<http://archiv.tagesspiegel.de/archiv/21.11.2002/314977.asp>

Frankfurter Rundschau: 22.11.2002

<http://www.fr-aktuell.de/fr/104/t104007.htm>

Saarbrücker Zeitung: 21.11.2002

http://www.sz-newsline.de/wir/G01B14TK_1.php3

Holland

"Under the [new] law, which goes into effect Jan. 1, proprietors of cigarette vending machines who want to keep them operational must ensure that minors (in this case, kids under 16) can't use them to buy tobacco. [There are 22,000 cigarette vending machines in the Netherlands.]... [A] Dutch banking organization called Interpay, together with the local branch of British American Tobacco, has stepped up to the plate by introducing the AgeKey, an electronic chip that gets implanted onto a tobacco user's ATM or debit card. Through an arrangement with the Dutch post office, the would-be-smoker can show up at the post office with his or her existing bank card, present a proof of age ID, and have the chip added on the spot... Customers will still be able to buy tobacco from the machines using cash or coins, provided they insert the AgeKey-encrypted card beforehand, which electronically "unlatches" the machine... The motives behind this innovation were not purely altruistic. The installation and maintenance of the vending machines is a profitable niche business, and their proprietors would be especially loath to see the machines disappear after just having spent roughly \$350 a pop modifying them to accept the Euro currency last year. ... Teddy van de Burg, a British American Tobacco spokeswoman, said the AgeKey could potentially be adapted as a more general "forbidden fruit card" for the purchase of alcohol or videos. [Note: Of course, anyone could buy a card to am underage friend.]

Sources: A Minor Problem: No Cigs for Kids - Wired News, November 6, 2002

<http://www.wired.com/news/culture/0,1284,55993,00.html>

No Tobacco Sales to Under-16s Sticker - Maas Services Tabak

<http://www.maasonline.com/maasonline/Maas/Tabak/StickTabak.html>

Netherlands introduces child-proof cigarette vending machines - The Lancet, November 16, 2002

<http://www.thelancet.com/journal/vol360/iss9345/full/llan.360.9345.news.23167.6>

Ireland

"Smoking is to be totally banned in restaurants and in pubs when food is being served under tough new anti-tobacco regulations to be introduced by the Minister for Health, Mr Martin. The Minister is also to ban smoking in all workplaces - apart from designated smoking rooms - and on trains... The powerful, 6,000-strong Vintners' Federation of Ireland, which represents publicans, tried to persuade the government not to ban smoking in pubs, but Martin said that would be unfair." ... "Even a limited ban will be difficult to enforce," warned Tadhg O'Sullivan, chief executive of the Vintners' Federation of Ireland... Nick Bish, spokesperson for the UK industry's Charter Group, said: "It's for the Irish to get their own house in order, in England and Wales we're confident that we have the best act in town as far as self regulation is concerned, and the government seems to recognise that. It's up to us as an industry to ensure that the voluntary approach is a success." The Charter Group is encouraging self-regulation and so far more than 50 per cent of pubs are complying by providing good ventilation and/or smoke-free areas.

Source: Martin plans to limit smoking in pubs - Irish Times, November 7, 2002

<http://www.ireland.com/newspaper/front/2002/1107/495378087HMISMOKING.html>

Smokers fume over mooted Irish bar - Reuters, November 8, 2002

<http://www.reuters.co.uk/newsArticle.jhtml;jsessionid=4X0GY0KW0PCBKCRBAEKSFEY?type=searchNews&storyID=1697793>

Smoking ban for Irish eateries - BBC News, 7 November, 2002

<http://news.bbc.co.uk/1/hi/world/europe/2415217.stm>

UK fear as Irish smoking ban comes into force - The Publican, November 14, 2002

<http://www.thepublican.com/cgi-bin/item.cgi?id=7958&d=11&u=3a3c43&m=275>

"Cigarette maker Gallaher recorded pre-tax profits of E79m in Ireland last year, up 25pc on 2000, according to accounts filed with the Companies Office. Despite ongoing health concerns and campaigns encouraging people to quit, sales in Ireland were up last year by 6pc, with brands such as Benson & Hedges and Camel leading it to a 50pc market share."

Source: Gallaher sees profits soar 25pc in Ireland - Irish Examiner. November 15, 2002

<http://www.online.ie/business/viewer.adp?article=1882760>

Italy

Italy's privatization committee met to discuss among other things the sale of state-owned tobacco company ETI SpA. ETI owns rights to produce and distribute products of Philip Morris in Italy until 2005. Eight groups - including BAT, Franco-Spanish tobacco company Altadis SA, and Swedish Match AB - have expressed an interest. Later, the Italian government said it had admitted eight groups interested in buying ETI to the second phase of the sale process.

Source: Italy Government Committee Meets On Enel Unit, ETI Sales. November 4, 2002

http://biz.yahoo.com/djus/021104/0504000159_1.html

Dow Jones via Yahoo http://biz.yahoo.com/djus/021104/1234000507_2.html

"...The Italian Senate last week approved an antismoking measure that would forbid cigar and cigarette smoking in public places and require restaurants to confine smoking to special sections and to install ventilation systems. ... "If I'm in the car alone, I smoke," said Giuliano Bianucci, the president of the Association of Polite Smokers and Tolerant Nonsmokers, an advocacy group based in Milan. "If there's somebody else who doesn't smoke, I'll try to smoke less. I'll crack the window open. "If I go to a nonsmoker's house who doesn't let me have a cigarette after dinner," Mr. Bianucci said, "I think that it's time to change friends." ... [Health Minister] Mr. Sirchia said in an interview today that he had received a flood of letters and phone calls in support of the new antismoking legislation, convincing him that "Italy is changing its attitudes." [Note: This Association is another model of the industry's "accommodation" or "courtesy" program which aims at protecting smokers' rights to smoke anywhere and no to protect against ex[osier to second hand smoke. This is a good move forward, but unfortunately ventilation will not provide health protection.]

Source: Italy (Gasp!) Starts to Clear the Clouds of Smokers - New York Times. November 12, 2002

<http://www.nytimes.com/2002/11/12/international/europe/12ITAL.html>

"... ETI SpA said gross profit in the first nine months of 2002 rose to EUR92 million from a profit of EUR47 million a year ago. Ente Tabacchi Italiano also said its revenues fell to EUR677 million from EUR830 million in 2001 and its earnings before interest, taxes, depreciation and amortization fell to EUR145 million from EUR199 million in the same period last year."

Source: Dow Jones via Yahoo, November 27, 2002
http://biz.yahoo.com/djus/021127/0754000322_1.html

Switzerland

There was an article in the Swiss paper *Le Matin* on the trend of smoking additives free cigarettes. The article discusses the success of the brand American Spirit, made by Santa Fe Natural Tobacco Co., recently acquired by R.J.R. The article does highlight that such "natural" cigarettes are not safer than regular cigarettes. Sales for American Spirit has been doubling every year in Switzerland. (Winston brand tried a similar "natural" approach but did not succeed.) Its biggest market is among "cool" young adults that hear about it mouth to mouth and through the Internet.

Source: Quant à fumer, autant fumer bio - *Le Matin* (Genève), November 5, 2002
<http://www.lematin.ch/home/pratique/15954.html>

United Kingdom

"Cigarette manufacturers are facing a flood of litigation claims which could result in a multimillion pound legal bill. Leading companies including BAT have been hit with a string of individual and group lawsuits. Tobacco analyst for JP Morgan, Michael Smith, said: "The legal caseload outside the US against the tobacco industry is increasing." Among the cases are 204 claimants involved in class action litigation in Ireland against BAT, Imperial and Gallaher. Imperial, which boasts a flawless litigation track record, is also facing a £500,000 individual claim in Scotland where Mrs. McTear has launched an action on behalf of her late husband Alf."

Source: ASH-UK; *The Express* on Sunday, 3 November 2002

"The *Mirror* reports that Tory MPs ruled out Ken Clarke as future leader of the Conservatives over his links with a tobacco firm. They fear that the Department of Trade and Industry could deliver a devastating report on British American Tobacco. And senior Tories insist that Ministers could use it to destroy Mr Clarke's chances of leading a revival. The DTI is investigating claims that BAT encouraged evasion of tax and exploited the smuggling of billions of cigarettes to boost sales and attract new smokers. ... But a source close to the investigation said: "There is irrefutable evidence to prove that BAT was supplying cigarettes for the black market in an attempt to dodge tax and expand their market in developing countries. So Labour have a great big bomb underneath him which they can detonate at any time. ... A shadow cabinet member said: "Any one who wants to lead a political party is going to find they have a lot of explaining to do about the service they provide for BAT. For that reason alone, Ken Clarke will not lead the Tory Party."

Source: ASH-UK daily News; *The Daily Mirror*, 8 November 2002

"Imperial Tobacco sent a defiant message to the government, saying that banning tobacco advertising would not kill the industry. The government has pledged to stub out cigarette advertising by the end of the year ... Imperial Tobacco's chief executive Gareth Davis said: "I think, with all the evidence we've seen around the world, the advertising ban has no effect on market size. In countries where there is an ad ban, the market has even grown." ... Mr Davis said that the price of cigarettes and high taxes imposed on the industry are a much more effective way of stopping people smoking than banning advertising. [Note: Of course Mr. Davis did not add that when higher taxes are proposed the industry opposes them claiming that they lead to an increase in contraband and economic losses.]

Source: Tobacco giant says ad ban will not kill industry - *The Guardian*, November 26, 2002
<http://www.guardian.co.uk/business/story/0,3604,847806,00.html>

"The logic of Imperial's £3.7 billion acquisition of Germany's Reemtsma was underlined by full-year profits that came in at the top end of expectations... the deal certainly provides a solid platform from which Imperial can expand its business. In the relatively mature markets of the UK and Germany, Imperial will have a broader portfolio of brands to offer to smokers. It will also be able to market these

brands to a wide international audience given the geographic fit of Reemtsma with Imperial. Reemtsma gives access to regions with growth prospects, such as Eastern Europe, Russia and Asia.”

Sources: Purchase brings glow to Imperial - The Times, November 26, 2002

<http://www.timesonline.co.uk/article/0,,748-493247,00.html>

Somebody loves 'em - The Sun, November 26, 2002

<http://www.thesun.co.uk/article/0,,9-2002541899,00.html>

Tobacco giant's profits flare - BBC News

<http://news.bbc.co.uk/1/hi/business/2510207.stm>

Imperial Tobacco enjoys fired-up profits - Reuters

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1799164>

European Union

“Tobacco companies should be banned from using ashtrays, umbrellas and other goods to promote their products, MEPs have said. In a vote in the European Parliament, MEPs also backed calls for cigarette vending machines to be phased out. The calls come just one day after parliament backed proposals to ban tobacco advertising throughout the Union... Two years ago, the European Court of Justice ruled that a tobacco advertising ban on the grounds of health was a matter for national governments and not for the European Union. Now the European Commission is arguing that, with tobacco advertising bans in nearly half of the EU member states, common rules are necessary in Europe's single market. Despite the parliament's vote tobacco companies and newspaper publishers in the EU say they will mount another legal challenge to the legislation. ...” [The draft law doesn't cover cinema advertising, billboards, posters or indirect advertising, such as ads for RJR Nabisco Co.'s Camel-brand clothing. Early in December the ban was approved and a more extensive discussion of the industry's reaction will be presented in the December 2002 summary.]

Sources: MEPs back tobacco promotion ban - BBC News, 21 November, 2002

<http://news.bbc.co.uk/1/hi/health/2500877.stm>

EU Parliament Votes In Favor Of Tobacco Advertising Ban, November 20, 2002

http://biz.yahoo.com/djus/021120/0719000358_3.html

“The Administrative Court in Minden, Westfahlen, Germany, has decided to refer the question of the legality of the EU-ban on snus to the European Court of Justice in Luxembourg... The ban on oral smokeless tobacco lacks adequate legal base and violates the principles of non-discrimination and proportionality, says Lennart Sunden, President and CEO of Swedish Match AB.”

Source: Primezone Media Network, November 26, 2002

<http://biz.yahoo.com/pz/021126/34285.html>

South-East Asia

India

Living The Promise: The Organisation As A Manifestation Of Its Brand, November 1, 2002

Excerpts from a speech given by Mr. Modi, of Godfrey Phillips India: “...In other words, what is this thing that we may call corporate brand, why is it so important, and how do we build it? Put simply, the corporate brand of a company is the psychological contract that the company makes with its multi-stakeholder environment. It is not only a reflection of the identity of a company, but a promise of delivering consistently against what the company stands for... Today, building a corporate brand is extremely important. One needs to build trust with each stakeholder - not just the customer, but employees, regulators, capital markets, suppliers, trade and alliance partners and opinion shapers... This trust results in higher growth and profits through being able to attract and retain better talent, command a price premium, and negotiate favourably with the most respectable buyers, suppliers and partners. So, how do we build a corporate brand? ... Godfrey Phillips India (or GPI) is today the second largest tobacco company in India. But in 1979, when GPI was managed by a leading multinational, it was the smallest player and was not profitable. We were bought into the business by our partners to infuse fresh thinking. ... Thus, a trusted corporate brand was created in the Indian market under GPI. But in spite of this, by the late 1990s we had lost momentum... A decision was taken to reinvent the corporate brand by focusing not just on product mix and quality, but on developing winning strategies and energising our people. This involved a restructuring effort in which we created new departments and hired talent looking at marketing, strategy, HR and corporate affairs... Already, GPI has gained 1% market share and the morale of our employees and partners has become positive. We are firming our strategies based

on these values and vision, to grow more aggressively - by launching innovative products and new brands, building alliances, and leveraging our strength in distribution. In fact, GPI is a part of the Modi group that pans companies from different sectors. ... However, while foreign products could be imported, distribution and services could not. We felt it necessary to create new businesses focusing on our strengths in these areas. Thus, under Modi Entertainment Network we developed a cable TV distribution network with 17000 operators, and partnered with content providers to launch 4 channels. In Modicare we entered the network-marketing arena and currently have 850,000 consultants. And we are tapping into the growing demand for specialised higher education by forming alliances with foreign universities. These new initiatives are driven by creating new values and vision for the Modi group as a whole. Today, we are striving to make the 'Modi' brand as one that signifies 'best distribution in Asia' and 'best alliance partner in India'.

Source: Speech by Mr Modi at an international chief executive officers' conclave in China recently)
http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021101670.2_7ce00032bb563ec1

"The ITC stock posted considerable rise, consolidating its gains made during last few trading sessions... The stock of ITC has gained about five per cent in the last seven trading sessions. Analysts seemed optimistic on their outlook for ITC, considering the 12% rise it posted in its bottom line growth, on the back of volumes growth and a better product mix. Analysts are also encouraged by the better performance of ITC as it has been on a diversification exercise of late, in order to de-risk its business model."

Source: Financial Express, November 26, 2002
http://www.financialexpress.com/fè_full_story.php?content_id=22577

Western Pacific

Australia

"A ban on smoking in pubs, clubs and casinos would only cost jobs, the Australian Hotels Association (AHA) has said. The AHA today rejected calls from the hotel workers' union and the National Occupational Health and Safety Commission for the smoking ban. ... [The] unions and health organisations joined forces for a new campaign to ban smoking in Australian pubs, clubs and casinos by 2003."

[Another example of the worldwide reach of the tobacco industry links with the hospitality industry.]

Sources: Smoking ban will cost jobs: AHA - The Australian, November 7, 2002
http://www.theaustralian.news.au/common/story_page/0,5744,5441773%255E1702.00.html
Smoking ban will cost jobs: AHA - News.com.au The Australian
http://news.com.au/common/story_page/0,4057,5441773%255E421.00.html

Philip Morris was sentenced to pay A\$9,000 for flouting the law and promoting tobacco to young Australians. "Philip Morris developed the event as a means of advertising its product amongst young women so as to increase cigarette consumption amongst that group," Mr Andrews said in his judgment. "One of the major reasons, if not the primary reason for the staging of the fashion event was to advertise Alpine cigarettes." ... Philip Morris was found to have specifically targeted young women at fashion shows which were swamped with the colours as well as themes of one cigarette brand. The advertising campaign even went so far as to design special jewelry with a cigarette theme. But while health groups have applauded the guilty verdict, they say the penalty is miniscule compared to the damage done by the company's cigarettes."... "Philip Morris communications manager Colin Lippiatt said the company regretted the incident and would try harder to abide by the Act in the future. "Philip Morris sincerely regrets this event occurred," he said. "Philip Morris takes very seriously its obligations under the NSW Public Health Act and will apply lessons learnt from this case"."

Sources: The World Today, November 8, 2002 <http://www.abc.net.au/worldtoday/s722318.htm>

Philip Morris fined for breaching tobacco advertising laws - Sydney Morning Herald/AAP, November 8, 2002 <http://www.smh.com.au/articles/2002/11/08/1036308473763.html>

Philip Morris fined over ads - The Age/AAP
<http://www.theage.com.au/breaking/2002/11/08/FFX3PM1Y88D.html>

Tobacco firms face severe fines - Sydney Morning Herald, November 9 2002

<http://www.smh.com.au/articles/2002/11/08/1036308483348.html>

Tobacco giant fined over ad breach - The Age, November 9 2002

<http://www.theage.com.au/articles/2002/11/08/1036308480914.html>

Philip Morris first cigarette firm to be fined under Australia's tough advertising laws. AP, November 8, 2002

http://story.news.yahoo.com/news?tmpl=story&u=/ap/20021108/ap_wo_en_po/australia_tobacco_fine

1
Anti-smoking lobby angry at \$9,000 fine. The World Today, November 8, 2002
<http://www.abc.net.au/worldtoday/s722318.htm>

"...Fronted by a model called Mink, the Australian fashion industry, with Federal Government support, yesterday launched a campaign in Canberra to combat the "guerilla marketing" of smoking within the fashion industry. But while the industry has said it will no longer tolerate attempts by tobacco companies to "infiltrate" fashion events, the ALP [Australian Labor Party] stands by its acceptance of tobacco money in return for naming rights at party events. British American Tobacco has paid the party about \$15,000 to become an "associate sponsor" at party fundraisers. ... The NSW ALP state secretary, Eric Roozendaal, yesterday denied any clash between the party's acceptance of funding from the tobacco industry and the Labor Government's rejection of cigarette promotion.... "We are merely acknowledging the support of a corporate donor ... We don't in any way support smoking ... I think they are two separate issues."

Source: Fashion and ALP out of step on smoking - Sydney Morning Herald, November 8 2002
<http://www.smh.com.au/articles/2002/11/07/1036308424193.html>

The Sidney Morning Herald ran an extensive report of how Philip Morris uses one of its consulting firms, Health Buildings International (HBI) to influence the development of ventilation standards. [Similar tactic has been extensively used by the industry in the US and other places.] "The standard, if taken into law, will mean ventilation systems in buildings where smoking is allowed do not have to take into account health concerns regarding second-hand tobacco smoke [which is a goal of the tobacco industry]". Fortunately, Standard Australia took the undue influence seriously (unlike its counterpart in the US) and the "NSW Health Department and WorkCover NSW objected to the standard because of the omission, as did the Australian Building Codes Board and the National Occupational Health and Safety Commission." Despite denials by HBI of any undue involvement or representation of PM interestes, there has been ample evidence in the tobacco industry documents about utilization of HBI by the tobacco industry to avoid clean indoor air measures. "A letter on Philip Morris letterhead dated October 29, 1998, raises the "recent developments concerning the Australian ventilation standard". The letter - from Mark Friedman, Philip Morris assistant general counsel, worldwide regulatory affairs, to other employees - lists HBI as its consultants and HBI employee Chris Salmon as "a member of the Standards sub-committee". It calls for input from Philip Morris Australia to a submission that Mr Salmon would make to Standards Australia. "We have asked HBI to prepare a report focusing specifically on the impact the proposed changes might have on smoking," another Philip Morris letter states. HBI reported to the tobacco company that "the proposed changes ... will not have a significant effect on smoking in buildings and in some instances will make it easier for bars and restaurants to permit smoking and comply with the standard"... A Philip Morris spokesman acknowledged the company had in the past worked with Healthy Buildings International. "Within the time frame provided we are unable to comment on past documents without having had the opportunity to retrieve them from our archives and review them," the spokesman said. ..."

Sources: Smoke gets in their eyes over building rules - Sydney Morning Herald
<http://www.smh.com.au/articles/2002/11/12/1037080730825.html>

ASHRAE Standard 62: tobacco industry's influence over national ventilation standards - Tobacco Control
<http://tc.bmjournals.com/cgi/content/full/11/4/315>

Philip Morris Australia took tow unprecedented actions: it offered its Australian staff a one-off payment of almost \$8,000 to replace their entitlement of four cartons of cigarettes per month; and it implemented a smoke free workplace in its offices and factory. "... Phillip Morris has been involved in of some of the biggest lawsuits associated with the dangers of smoking. [The] company's corporate affairs director Thomas DuBois says the moves... were brought about by changes in community attitudes. "We felt that we should compensate those adult smokers at Philip Morris who decide to cease their cigarette rations," Mr DuBois said." [Mr. duBois] was careful to skate around the issue of whether there was a medical risk in workplace smoking, and stressed the decision had not been taken out of fear of litigation. "It causes fatal disease, whether you're a smoker at Philip Morris or not," Mr duBois told ABC radio. "We have to, as a company - maybe especially our company and the industry we're in - we have to stay tuned to changes in attitude and public perception." The company has not always been so

accommodating. Earlier this month it was reported to have tried to influence Australian regulations on workplace ventilation so as to play down the importance of environmental tobacco smoke.”

Source: Cigarette company offers staff \$8,000 each to give up ration - ABC Australia News, November 25, 2002 http://abc.net.au/news/australia/2002/11/item20021125115707_1.htm

Smoke signals - The Guardian, November 26, 2002

<http://www.guardian.co.uk/leaders/story/0,3604,847717,00.html>

Philip Morris factory is a smoke-free zone - The Guardian, November 26, 2002

<http://www.guardian.co.uk/international/story/0,3604,847659,00.html>

China

There was a lengthy article on Newsweek International about smuggling of cigarettes in China, from Taiwan, mostly of famous foreign brands such as Mild Seven and 555. “... Large quantities of foreign-brand cigarettes continue to be smuggled into China through the back door for one basic reason: the front door is almost completely closed. The world’s leading tobacco giants—Philip Morris, British American Tobacco and Japan Tobacco International—have spent the past decade desperately trying to offset declining profits at home by edging their way into the world’s biggest market. ... But Big Tobacco has been stymied by something even bigger: a massive state-run monopoly that is not yet ready or willing to open up to outside competition. Even with China’s entry into the World Trade Organization, foreign tobacco companies don’t expect to increase their paltry 1 percent market share any time soon. “Our operations are just a drop in the ocean,” says Johannes-Gerhard Hesse, general manager for JTI in China. “Right now and for a time to come, international brands are not relevant.” ... The flood of illegal imports, whether smuggled with the companies’ knowledge or not, has helped foreign brands gain access to and build brand awareness in a closed market. ... Foreign tobacco companies were spending a reported \$20 million a year on advertising in the mid-1990s, but their market access was minimal. China’s state monopoly tightly controlled how many foreign cigarettes could be imported—and who could distribute them. (It also controlled the number that could be produced in joint-venture factories.) In 1994 Beijing signed an agreement with Washington promising to lift all import-licensing requirements on American cigarettes within the year—but nothing came of it. In 1995 Beijing suspended all new joint ventures with foreign tobacco companies, explaining that the market was saturated. Then it banned all public tobacco advertising. [The ads and sponsorships from international companies] vanished, but signs for local brands still blanket the streets of some cities. ... It wasn’t just the foreign ads that disappeared. Foreign cigarettes did, too, dwindling from nearly 3 percent to less than 1 percent of the legal market. ... “Ten years ago there were more foreign cigarettes consumed in China than there are today,” says Zhou Ruizeng, spokesman for —China’s National Tobacco Co., brushing off suggestions that the monopoly keeps the amount of imports artificially low. “The main reason foreign companies have failed is not our control of the market, but Chinese tastes.” Chinese smokers, he says, lifting a Zhonghua cigarette to his mouth, simply don’t like the strong blended flavor of most foreign cigarettes. “In the future the market share of foreign cigarette manufacturers will not likely increase,” he says. “But over the years to come, as demand rises, we will loosen controls over import levels.” ... Nobody has accused the foreign tobacco companies of direct involvement in smuggling. But some have come close. In 1995, at the height of a Hong Kong investigation into a \$2.3 billion smuggling operation, the prosecution’s lead witness—a Chinese businessman named Tommy Chui—was murdered in Singapore. Chui had testified to the collusion between Chinese triads, or mafias, and high-level officials at BAT. Using the dead man’s testimony, the court sentenced BAT executive Jerry Liu to prison in 1998 for accepting a \$3 million bribe and a \$1.3 million soft loan from the triads in exchange for huge amounts of duty-free cigarettes to be smuggled into China. ... BAT strenuously denied any knowledge of the smuggling of its cigarettes into China...”

Source: A Hard Habit to Break - Newsweek ; November 11, 2002
<http://www.msnbc.com/news/829824.asp>

Hong Kong

“One of the world’s biggest tobacco companies has not made any attempt to claim back more than \$20 million it is owed by a corrupt former SAR executive - four years after Hong Kong’s most controversial cigarette-smuggling trial. Law enforcers have expressed surprise that BAT has not yet made a bid to retrieve the cash. But bosses of the 100-year-old cigarette conglomerate said they were waiting for the Hong Kong government to receive compensation for its costs in the case before BAT dipped into the pot. Former British American Tobacco (HK) export director Jerry Lui Kin-hong was jailed for plotting

to receive bribes from cigarette smugglers in June 1998. ... Delivering his verdict in the Lui case, Mr Justice Yeung railed against big tobacco firms for putting profits before social responsibility. "A leading international tobacco company sold large quantities of duty-not-paid cigarettes worth billions and billions of dollars, with the knowledge that those cigarettes would be smuggled into China and other parts of the world," he said. "In my view, the tobacco companies were clearly putting their commercial interests above whatever moral duty they may have towards our society, and to some extent such irresponsible behaviour amounted to assisting criminals in transnational crime." The only way BAT can claim its money back is by filing a civil suit against Mr Lui, which it has not done. Doris Ho, British American Tobacco (HK) corporate and regulatory affairs manager, said the company would eventually seek the \$21.25 million and it would donate it to charity if the money was paid back. "The money was bribes, so we don't want to be seen to be profiting from it," she said. A law enforcement source close to the original inquiry said: "BAT is a business. You have to ask yourself why have they not made any attempt to get the money? Ms Ho said: "BAT does not smuggle cigarettes, neither does it condone cigarette smuggling. We work closely with Customs to tackle smuggling because it hurts our company."

Source: Tobacco giant reluctant to claim \$20m. November 9, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021110670.2_6f4d000e935a8721

"The University of Hong Kong medical faculty - the pre-eminent local research centre on smoking health - has accepted free services from a long-time leading tobacco advocate ... former Tobacco Institute chairwoman Brenda Chow. Ms Chow retired last year as director of public affairs for British American Tobacco in Hong Kong, China and Macau after 20 years... She was a member of BAT's Hong Kong board of directors and chaired the Tobacco Institute in 1989 and 1999. The dean of the medical faculty, Professor Lam Shiu-kum, has longstanding links to Ms Chow in his role as vice-chairman of the Liver Foundation, which has in the past been bankrolled by BAT [more than \$1 million given between 1995 and 1999]. In a memo dated September 2, Professor Lam announced that the faculty had invited Ms Chow to organise the first of a series of planned media workshops. The memo described Ms Chow as a "renowned and experienced PR consultant" - but failed to mention her tobacco background. ... On retirement, Ms Chow told the South China Morning Post her 20-year career with the big tobacco firm made her "what I am today", and said her skills were most suited to industries requiring crisis management such as oil companies, pharmaceuticals or liquor firms. ... Professor Lam did not comment beyond an e-mail saying Ms Chow had retired from BAT when she helped the faculty run the media appreciation workshop."

Sources: 10-year link between PR expert and professor - South China Morning Post, November 21, 2002

<http://hongkong.scmp.com/hknews/ZZZ1N3P7R8D.html>

"Ties to tobacco firms do not appear to be a bar to health-related appointments in Hong Kong, in what an anti-smoking campaigner says is a worrying trend. The most widely known example is that of Secretary for Environment, Transport and Works Sarah Liao Sau-tung, whose job carries responsibility for maintaining indoor air quality. The Philip Morris cigarette company lists her as having been a paid consultant, funding her trips to symposiums on passive smoking in Portugal, Canada and Thailand. She also received an estimated \$1 million in 1990 from the largely tobacco-funded Centre for Indoor Air Research to look into indoor air quality in Hong Kong. Dr Liao has vehemently denied knowing where the money came from - but tobacco industry lawyer John Rupp said he told her tobacco firms were the source of the funding. Her partner in air quality research, John Bacon-Shone, was also named as a tobacco consultant - and like Dr Liao he too denied knowingly accepting tobacco funding. ... Another former tobacco industry player involved in government health is Lee Jark-pui, who served as executive director of the Tobacco Institute for seven years until 1994 - but is currently a member of the Hospital Authority Board. One of his fellow authority board members is dean of the faculty of medicine at the University of Hong Kong, Professor Lam Shiu-kum, who has taken on former Tobacco Institute chairwoman Brenda Chow as an unpaid public relations adviser ... earlier this year when Lingnan University accepted \$450,000 from the tobacco-funded Committee on Youth Smoking Prevention to do a research project."

Source: Ties to cigarette firms present no bar to taking on health roles - South China Morning Post, November 21, 2002 <http://hongkong.scmp.com/hknews/ZZZ8L3P7R8D.html>

Japan

"... Japan Tobacco has said its profits will nearly double this financial year. [JT] reported a 46% rise in net profits for the six months to September and predicted a 90% rise for the year to March 2003. Profits are soaring despite falling cigarette sales in Japan, the company said. The former state monopoly's strong financial performance has largely been achieved through harsh cost cutting measures. Strong demand for cigarettes abroad also helped fuel the profits growth."

Source: Japan Tobacco profits soar - BBC News <http://news.bbc.co.uk/1/hi/business/2408435.stm>

Japan Tobacco net profit up 46.1% - Japan Today
<http://www.japantoday.com/e/?content=news&cat=3&id=237445>

Reuters http://biz.yahoo.com/rc/021106/tobacco_japan_earnings_3.html

There was a lengthy feature on the Los Angeles Times about Japan Tobacco. "... JT has argued in and out of court that the health risks are not scientifically proved. Atsuro Ito, a JT spokesman, said warning labels and health policy are determined by the government. The company, Japan's only domestic producer, is intent on finding new tobacco products with greater appeal for consumers, including women, he added. "We leave it to their judgment whether to buy them or not." Although JT produces Marlboro cigarettes for the Japanese market under license from Philip Morris Cos., which has admitted that its cigarettes cause cancer, JT continues to deny any causal link. Yet the Japanese company, which has diversified into pharmaceuticals and food, also has invested millions researching drugs to combat lung cancer. Meanwhile, JT gave away 1.2 million cigarettes to 5,000 nursing homes last year during the annual Respect for the Aged holiday, and each year it distributes thousands of special crest-embazoned smokes to volunteers who help maintain the Imperial Palace in Tokyo... JT also sponsors hundreds of "manner ads" a week. The 10-second television spots advise viewers not to fling their butts or otherwise disturb nonsmokers... The greatest source of industry clout is the Tobacco Business Law, one of a string of related measures dating to 1904. The law says the government must own at least 50% of JT in perpetuity and, as a matter of national policy, "promote the healthy development of the tobacco industry and ensure stable revenue in the interest of a sound national economy."

Source: Los Angeles Times, November 20, 2002

<http://www.latimes.com/news/nationworld/world/la-fg-smoke20nov20.story>

Korea

"Esse, a slim and up-market cigarette, overtook This for the top spot in sales in October. This had been the best-selling brand for the last seven years, Korea Tobacco and Ginseng Corp. said ... [attributing] the success of Esse to the increasing popularity of slender, high-quality cigarettes."

Source: Esse cigarettes take over No. 1. November 05, 2002

<http://english.joins.com/Article.asp?aid=20021105012846&sid=400>

"Korea Tobacco & Ginseng Corp.'s fundamentals are sound and its share price cheap, but that doesn't mean investors should rush in and buy the stock. Although the market views KT&G's privatization process favorably, the company itself faces major challenges - the fast-growing popularity of foreign cigarette brands and the South Korean government's anti-smoking campaign - which will crimp the stock's upside, analysts say."

Source: The Wall Street Journal Interactive Edition, November 6, 2002

http://online.wsj.com/article/0,,BT_CO_20021106_009797.djm,00.html

"British-American Tobacco (BAT) Korea completed the construction of Korea's first foreign owned cigarette manufacturing plant in Sachon ... With the completion of the ultra-modern facility, BAT Korea is set to produce 400 million packs of Dunhill Light, the most popular foreign cigarettes in Korea. "The completion of the plant means that we are now fully prepared to produce Dunhill Lights, currently made in England, for local customers," said BAT Korea president John Taylor."

Source: Hoover's, November 10, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021110670.2_300700049698cf84

Malaysia

"Malaysia loses RM1.2 billion in tax revenue annually from the sale of contraband cigarettes, the State Domestic Trade and Consumer Affairs Department said [and that] such cigarettes, including imitation

brands, accounted for 21 per cent of the cigarettes sold in the country.”... “Local cigarette manufacturers proposed fresh measures to curb illegal imports and recover some of the revenue lost to the black market. They said, in a proposal to the Government, that imported cigarettes should be “bandrolled” to clearly indicate that they are genuine, duty-paid products. Locally-manufactured cigarettes, however, could just be marked with invisible security codes which would be pre-printed on the packets. This would help set their products apart from the counterfeits. The Confederation of Malaysian Tobacco Manufacturers, which represents 95 per cent of local cigarette manufacturers, put in the proposal two weeks ago in response to the Budget 2003 initiative to clamp down on the illegal market by “coding” genuine, duty-paid products.”

Source: Malaysia loses RM1.2b in tax revenue to contraband cigarettes

http://www.emedia.com.my/Current_News/NST/Wednesday/NewsBreak/20021030170309/Article/B&WNewsReal, November 5, 2002

http://brownw.newsreal.com/pages/brownw/Story.nsp?story_id=34135906&ID=brownw&category=Tobacco

New Zealand

“... New Zealand's biggest tobacco company, British American Tobacco, told the health select committee it believed the planned measures to ban or restrict smoking in public places were based on “overstated” claims about the risk of passive smoking. The committee is considering the Smoke-free Environments (Enhanced Protection) Bill which would ban smoking in bars, restaurants and casinos except in designated areas with separate ventilation systems. Most of the previous submissions the committee has heard were from anti-smoking groups, although the hospitality industry has put up a fight with evidence of the difficulty and costs that pubs and other premises will face if they have to build walls and install ventilation systems. ... “The current proposals are so extreme that few pubs and clubs will be able to meet the necessary changes to their premises to allow smoking for their patrons,” said BAT spokesman John Galligan. “While some anti-smoking extremists want smoking banned everywhere, this is an over-reaction to what is a manageable issue. “In our view, many of the claims about the health risks of passive smoking have been overstated and the measures to restrict or ban smoking in public places are being justified on these overstated risks.” Mr Galligan said hospitality operators had the option of going smoke free right now, without the need for further legislation, and some had taken that option. He said BAT believed it was worth considering establishing an indoor air quality standard as an option to segregating smokers and non-smokers. BAT said in its written submission it was prepared to work with the Government and offered to provide “accurate, unbiased and factual information” which it said would help the decision-making process. BAT's head of science, Chris Proctor, a London-based doctor, told the committee smoking did cause diseases in smokers but claimed that exposure to environmental tobacco smoke (ETS, or passive smoking) were not supported by any scientific evidence. “In our view, it has not been established that ETS exposure genuinely increases the risk of non-smokers developing lung cancer or heart disease,” he said.

[The industry as a whole has not yet decided what its position is on second hand smoke exposure and most continue to deny there are significant harmful effects and continue to push for ventilation “solutions” in partnership with hospitality industry front groups. For details see: www.tobaccoscam.ucsf.edu]

Source: Tobacco giant asks for balanced approach to new smoking bans - Stuff (NZ), November 6, 2002

<http://www.stuff.co.nz/stuff/0,2106,2103139a6160,00.html>

Bills before Health Select Committee: Smoke-free Environments (Enhanced Protection) Amendment - NZ House of Reps <http://www.gp.co.nz/wooc/npaper/select-committee-bills.html>

Tobacco Industry Running Scared. November 7, 2002

<http://www.scoop.co.nz/mason/stories/PO0211/S00037.htm>

Tobacco Giant Bats Against Govt <http://xtramsn.co.nz/news/0,,3779-1900843,00.html>

Third of workers breathing smoke - New Zealand Herald

<http://www.nzherald.co.nz/storydisplay.cfm?storyID=3003198&thesection=news&thesubsection=general>

Still dying from second-hand smoke at work: a brief review of the evidence for smoke-free workplaces in New Zealand – NZMedJ <http://www.nzma.org.nz/journal/115-1165/240> [Subscribers only]

Tobacco giant challenges reports - NZoom/ONE News

http://onenews.nzoom.com/onenews_detail/0,1227,144918-1-8,00.html

"The Supreme Court of New South Wales is to decide if disorganisation is a defence for non-disclosure. Myrian Cauvin is seeking access to a 1,700-file tobacco industry archive currently held by the Tobacco Institute of Australia (TIA) organisation. This is to aid her representative law suit against seven Australian tobacco companies. The lawyer for the TIA claims the 106-box archive is only partially indexed, and finding the documents Cauvin requests would be too costly an exercise, estimated at \$A24,380 plus GST. The documents were formerly held by law firm Clayton Utz, which had advised the TIA to keep the information in a disorganised way to aid its interests."

Source: The Australian Financial Review: Tobacco group fights to block file access. November 3, 2002 http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021103670.2_a63f00021206eb65

Worldwide

An article at the Independent on Sunday discussed the current trend of Corporate Social Responsibility (CSR) "The wealth of advertisements, literature, conferences, talks and seminars on CSR could give the impression that our large companies are shining beacons of ethical virtue, eagerly forsaking the chance to make a buck to fight poverty and environmental destruction... KPMG, the consultancy firm, says that 49 per cent of the largest 100 companies in the UK now produce some kind of CSR report, against 32 per cent in 1999, while 89 per cent include some kind of social and environmental information in their financial report. ... Campaigners also dispute the information provided by some companies. Take BAT... which is vilified by anti-smoking groups and shunned by many ethical investors. So it produced a hefty report detailing its views on controversial topics, such as its opposition to under-age smoking and its reassurance that tobacco advertising is only about the promotion of brands. That didn't wash with its arch-enemy, Action on Smoking and Health (ASH). "On all the issues that really matter, the social report is either cosmetic, evasive or deceitful," says ASH director Clive Bates. "What is shocking is the gullibility of some parts of the ethical investment and corporate social responsibility community. They have blindly lapped up the glossy report and soothing PR without bothering to test if they are in any way related to BAT's real-world operations." BAT responds by pointing out that this was its first report, and intended to show its serious commitment to CSR. But hard facts are hard to find on the social and environmental impact of any company's operations. Some blame this on the lack of standardisation of CSR reporting. There is no requirement for what the company has to reveal and how it should do it."

Source: From fags to oil, you have to believe them: being good is the new growth industry - Independent on Sunday, November 3, 2002 <http://www.independent.co.uk/story.jsp?story=348260>
BAT social report revisited: ASH Comes to BAT
<http://www.ash.org.uk/html/conduct/html/socialreport.html>
British American Tobacco – The other report to society
<http://www.ash.org.uk/html/conduct/html/reporttosocietysum.html>

There continued to be media coverage about the EU lawsuit against R.J. Reynolds for money laundering, fraud and breaking UN sanctions of trade with Iraq.

Sources: Bruxelles attaque le cigarettier Reynolds pour blanchiment d'argent - Le Monde
http://www.lemonde.fr/recherche_articleweb/1,9687,296554,00.html

La plainte européenne contre un cigarettier présente la Suisse comme un centre de contrebande - Le Temps

<http://www.letemps.ch/template/recherche.asp?page=rechercher&contenuPage=afficheArticle&edition>

The 149 pages complaint of the EC versus RJR is now available on the websites of TFK and ASH (UK)

<http://www.tobaccofreekids.org/pressoffice/rjrlawsuit.pdf>

<http://www.ash.org.uk/html/smuggling/rico/eurjrfiling.pdf>

Belgium in US tobacco smuggling claim - Expatica.com, November 13, 2002

http://www.expatica.com/belgium.asp?pad=88,89,&item_id=26874

R.J. Reynolds Accused Of Money Laundering - Washington Post, November 14, 2002;

<http://www.washingtonpost.com/wp-dyn/articles/A50913-2002Nov13.html>

Cigarettes Portrayed as Currency of Crime - Los Angeles Times

[http://www.latimes.com/business/la-fi-](http://www.latimes.com/business/la-fi-cigarettes5nov05001447,0,1672908.story?coll=la%2Dheadlines%2Dbusiness)

[cigarettes5nov05001447,0,1672908.story?coll=la%2Dheadlines%2Dbusiness](http://www.latimes.com/business/la-fi-cigarettes5nov05001447,0,1672908.story?coll=la%2Dheadlines%2Dbusiness)

"Philip Morris, once dubbed "America's most reviled company" has set out to improve its image. David Greenberg, a senior vice president, is writing the company's code of conduct for thousands of

employees to try to make it easier for whistle-blowers to report fraud. On the question of whether a cigarette company can ever be ethical, Mr. Greenberg commented: "Making cigarettes has always been and will continue to be debated as an ethical issue." But the court battles the company has fought in recent years "certainly gives us perspective about what happens if and when you lose the public trust." The Wall St. Journal notes that there are practical benefits for employers to introduce ethical guidelines. For instance, companies convicted of crimes are eligible for reduced sentences if they have previously set up programmes to prevent and detect fraud."

Source: ASH-UK; Wall St. Journal (Europe), November 5, 2002

"Nigel Northridge, the chief executive of Gallaher, is wearily accustomed to being asked whether his company is about to be taken over by British American Tobacco. ... BAT manufactures cigarettes in the UK but sells almost all of its products abroad, making Gallaher a natural target. ... In September, Gallaher struck a deal with the China National Tobacco Corporation (CNTC), gaining a foothold in the world's largest tobacco market. ... Gallaher will distribute CNTC cigarettes in Russia in return for similar access to China. Northridge says: "You must offer the Chinese something in return if you're expecting to 'attack' their market. They can see in us an opportunity to do what we wish to do in China."... Acquisitions are all part of transforming Gallaher into an "Eurasian" company. Northridge says: "The demerger from American Brands gave us the opportunity to become masters of our own destiny. It had become clear to us in the 1990s that we had to expand internationally. To be too dependent on the UK and Irish markets was a vulnerability." North America, Australia and New Zealand were ruled out because of the litigious environment, and Africa and South America were seen as too difficult. This left Europe, the Commonwealth of Independent States (CIS) and Asia — hence "Eurasian". ... Northridge says: "The Eurasian vision is becoming a reality. The cement is coming through. From a very strong UK/Irish base which continues to be very cash-generative, we've entered two new cash-generative markets, Austria and Sweden, we're growing in continental Europe and the CIS and we have this opportunity with China."

Source: Northridge lights up markets in the East - The Independent, November 11, 2002

<http://www.timesonline.co.uk/printFriendly/0,,1-37-476390,00.html>

"Kenneth Clarke, former chancellor of the exchequer, was facing acute embarrassment last night after saying he was "uncomfortable" with investment in military-run Burma - overlooking the fact he is deputy chairman of British American Tobacco (BAT), which has significant involvement there." The problem with Burma arises when companies start collaborating with an extremely unpleasant regime which is totally contrary to our notions of civil liberties and democracy," he breezily told one of his local Nottingham constituents in a letter. The gaffe was seized on by human rights activists who pointed out that BAT pays workers 23p a day at a factory which it owns jointly with the "unpleasant" government. The Burma Campaign, which has already managed to force one British firm, Premier Oil, out of the Asian country this year, said Mr Clarke must now ensure the exit of BAT. ... BAT has a Burmese subsidiary called Rothmans of Pall Mall Myanmar, which is a 60/40 joint venture with the Union of Myanmar Economic Holdings, a company owned by the military government. ... The Burma Campaign claims the BAT factory near Rangoon earns the regime \$400,000 a year - enough for 20,000 AK47 assault rifles - and is located in an industrial zone which was upgraded by child labour. ... BAT's activities sit awkwardly with recent statements from Mr Broughton about the company's aims. "Our goals are to continue creating long-term sustainable shareholder value, and to lead the tobacco industry in demonstrating corporate social responsibility and wider accountability," he has said. ... Mr Clarke said despite his comments to a constituent there was no question of BAT, whose brands include Dunhill, Rothmans and Lucky Strike, quitting Burma. "We employ more than 400 people in Burma and I see no benefit to them in us simply pulling out. The best way forward is to continue to contribute to local welfare through pursuing employment, environmental and social development goals," he argued. BAT, which acquired Rothmans International in 1999, boasts it is spending \$50,000 digging new wells to provide clean water to villages and insists its employees are among the highest paid in Burma.

Source: Clarke embarrassed as attack on Burma goes up in smoke - The Guardian; November 12, 2002

<http://politics.guardian.co.uk/conservatives/story/0,9061,838280,00.html>

Britain's Clarke cornered on BAT's Myanmar business - Reuters, November 12, 2002

<http://www.reuters.co.uk/newsArticle.jhtml;jsessionid=EEAK54LHR2G2SCRBAEZSFY?type=searchNews&storyID=1717532>

Clarke facing embarrassment over Burma link - Financial Times, November 12, 2002

<http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1035873208550&p=1012571727159>

Clarke in fresh row over Burma links - The Independent

<http://news.independent.co.uk/uk/politics/story.jsp?story=351346>

Tobacco Company Urged to Exit Burma - OneWorld South Asia, November 13, 2002

http://story.news.yahoo.com/news?tmpl=story&u=/oneworld/20021113/wl_oneworld/1032_1037185694

"Shares in the world's biggest cigarette maker, Philip Morris, have slumped 14% after the company reduced its forecasts for next year. The company ... blamed cheap imports and counterfeit cigarettes which it said were hitting its US business. It said it could now no longer confirm its growth targets of between 8-10% for 2003. ... Philip Morris said it was spending more on promotions and would increase the number of stores offering its cut-price cigarettes. The company is also appealing against a court order to pay out \$28bn (£17bn) in damages to a cancer-stricken smoker. "Higher state and local taxes have hurt the premium cigarette market, as have an influx of discount and counterfeit cigarettes, Michael Szymanczyk, chairman and chief executive officer of domestic tobacco unit Philip Morris U.S.A., said during the presentation to investors. ... Szymanczyk also said the company plans to introduce a conventional cigarette and a reduced-risk product. The conventional cigarette would be a line extension of one of the company's four core brands -- Marlboro, Parliament, Virginia Slims, or Basic." Other accounts also point to non-premium cigarettes as having added influenced in the decline in sales in the US for PM. The PM announcement made tobacco shares in many other markets go down as well.

Sources: Cigarette firm out of puff - BBC News, 12 November, 2002

<http://news.bbc.co.uk/1/hi/business/2455763.stm>

Philip Morris Warns on 2003 Earnings Forecast - New York Times/Reuters, November 12, 2002

<http://www.nytimes.com/reuters/business/business-tobacco-philipmorris-outlook.html>

Philip Morris Shares Plunge - New York Times/AP, November 12, 2002

<http://www.nytimes.com/aponline/business/AP-Philip-Morris-Outlook.html>

Bloomberg News, November 11, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_news.ht&s=APcLbyxYLUHJvZml0

Bargain-Basement Brands Squeeze Big Tobacco Firms - Wall Street Journal, November 14, 2002

http://online.wsj.com/article_email/0..SB1037229277391236668,00.html

Europe's tobacco stocks hit by Philip Morris warning - Reuters

http://money.iwon.com/jsp/nw/nwdt_rt.jsp?section=news&news_id=reu-113398688&feed=reu&date=20021113&cat=INDUSTRY

Philip Morris choked on warning - CBS.MarketWatch.com

<http://cbs.marketwatch.com/news/story.asp?guid={D0BD9B5D-84EC-4079-AD46-317050CABCF8}>

Philip Morris Coughs, Sector Is Stricken - TheStreet.com

<http://www.thestreet.com/tsclsii/markets/rebeccabyrne/10053849.html>

"Remarks by Dinyar S. Devitre, Senior Vice President and Chief Financial Officer, Philip Morris Companies Inc.: "Looking at the world cigarette market -- excluding China and the U.S. -- PMI operates in an industry of 3.1 trillion cigarettes. The Chinese tobacco industry, as you know, is highly protected and is not likely to be liberalized soon... In Russia, Germany, Italy and France, PMI is number one -- while in Japan, Turkey, Brazil, Spain and the Philippines, PMI is number two and growing, with well-established operations and strong brands... In addition, PMI continued to rigorously manage Marlboro's price gap versus trade brands, reducing the gap from over 46% at its peak in 2000 to approximately 30% by the end of 2001, which has been maintained throughout 2002... Marlboro is the aspirational brand in Russia. It has excellent potential for growth as the economic situation improves and consumers trade up to premium brands... To conclude on our international tobacco business, PMI has seven of the top 20 international brands, including powerhouse Marlboro and rapidly growing L&M. Importantly, PMI's growth prospects are very solid. With approximately 22% share of the international cigarette market -- excluding China -- PMI has significant potential for continued volume, share and income growth in the years ahead... Out of an abundance of caution, given the weakness in domestic tobacco industry volumes in October, the company is not in a position to confirm its previous projection of 8% to 10% growth in underlying diluted earnings per share for the full year 2003."

Remarks by Michael E. Szymanczyk, Chairman and Chief Executive Officer, Philip Morris U.S.A.:

"Higher prices have also contributed to the emergence of counterfeit cigarettes, particularly Marlboro. Although hard to quantify, we believe the amount of counterfeit product entering the U.S. is growing, as evidenced by U.S. Customs seizures. In 2001, Customs reported 24 seizures of cigarettes. So far in 2002, Customs seizures of counterfeit cigarettes have exceeded 250... Our second, longer-term strategy

is to add consumer value through new product initiatives. Our past activity on Marlboro and Parliament are good examples. Although we can't disclose details for competitive reasons, we are working toward launching a conventional cigarette line extension on one of our four focus brands and a first-generation reduced exposure product, both in 2003. Our third strategy is to further leverage the scale of our adult smoker database. We have recently invested in extensive technology upgrades that allow segmentation previously unavailable to us. As a result, we can send more direct mail offers to adult smokers of competitors' brands, including those who primarily smoke discount products."

Sources: Morgan Stanley Global Consumer Conference - Philip Morris; November 12, 2002

http://www.philipmorris.com/docs/pressroom/Morgan_Stanley_Remarks_11_12.pdf

Philip Morris Companies Inc. Executives Address Morgan Stanley Global Consumer Conference -

http://www.philipmorris.com/pressroom/press_releases/morgan_stanley_address.asp

Morgan Stanley Global Consumer Conference - Philip Morris

http://www.philipmorris.com/docs/pressroom/Morgan_Stanley_Remarks_11_12.pdf

A recent article, in the German Newspaper "Die Zeit" described cigarette smoking in the Balkans in detail (Albany, Kosovo, Serbia, Macedonia, Bosnia), provide names of those involved in the contraband scheme, and states that companies such as BAT, Philip Morris

Source: Emanuelle Beguinot ; Der Geschmack von Freiheit und Anarchie, Die Zeit, November 10, 2002

http://www.zcit.de/2002/46/Politik/print_200246_balkan.html

Notes: More details on most of the news reported here found at:

<http://www.tobacco.org/>

For tobacco companies press releases and statements, including the voluntary marketing code, search the companies' websites and related-sites. For example:

R.J. Reynolds: <http://www.rjrt.com/T1/Pages/T1cover.asp>

Philip Morris: <http://www.philipmorrisusa.com/>

Japan Tobacco International: <http://www.jti.com>

British-American Tobacco: <http://www.bat.com/>

Imperial Tobacco: www.imperialtobacco.com

<http://www.tobaccojournal.com/>

<http://www.tobaccoreporter.com/>

For additional information on tobacco industry's strategy regarding marketing, opposition to advertisement bans and development of voluntary advertisement codes; utilization of voluntary codes to oppose smoking restrictions; youth campaigns; utilization of hospitality industry and ventilation as a [false] "solution" to smoking bans, search the tobacco industry documents sites, mainly Philip Morris site, and other sites containing industry documents:

www.pmdocs.com (with links to other companies sites)

<http://www.hlth.gov.bc.ca/guildford/index.html>

<http://www.ncth.ca/Guildford.nsf>

<http://www.library.ucsf.edu/>

<http://legacy.library.ucsf.edu/>

<http://www.tobaccodocuments.org/>

Additional material discussing industry's strategies related to the above can be found at:

<http://www.ash.org.uk/>

<http://www.no-smoke.org>

<http://www.nsra-adnf.ca/>

<http://www.cdc.gov/tobacco/sitemap.htm>

<http://tobacco.who.int/>

<http://tobaccofreekids.org/>

December 2002

Africa

Ghana

"In a bid to support the government's effort at promoting quality education in all the tertiary institutions in the country, the British American Tobacco-Ghana, has presented two different kinds of cheques amounting to €250 million to two state-run universities. The two beneficiary state-run schools, the University of Ghana, Legon, received a cheque for €100million for the Jubilee Hall Fund, while the Kwame Nkrumah University of Science and Technology, Kumasi (KNUST) received €150million for the establishment of Research Chair in Agro-Forest at the Institute of Renewable Natural Resources. Speaking at the presentation ceremony, the managing director of BAT, Mr. Jimmy Idun-Ogde, a product of KNUST, said, "Accelerated natural development depends largely on the quality of Ghanaian's manpower resources and that it is for this reason that the support for national education development continues to feature prominently among corporate social responsibilities initiatives." Recounting on numerous projects and supports mounted by BAT in the country, the MD said BAT would continue to be sponsoring 44 tertiary students in any each year. Receiving the money on behalf of the University of Ghana, Legon, ... the vice-chancellor... commended BAT, whose vision is leading in everything they do, not to relent on the efforts but to continue with their support. Prof. Henry Nii-Adziri Wellington, the acting pro- vice chancellor of KNUST, said the donation would help sustain ecological heritage and also to reduce poverty and to create wealth especially in the rural areas through the research Agro-Forest set up in the University. He also assured the donors that the money would be used to reduce environmental degradation."

Source: Bat Assists 2 Varsities. Ghanaian Chronicle (Accra), December 3, 2002

<http://allafrica.com/stories/200212040313.html>

Kenya

"Mastermind Tobacco Kenya Limited is in the process of setting up an ultra-modern cigarette manufacturing factory at its Nairobi's Mombasa Road premises. The machines, which are to be operational by March next year, are expected to increase the company's cigarette production by 50 per cent. According to the company's Managing Director, Wilfred Murungi, the filter-making machines are of the latest model. ... Murungi said the management of Mastermind Tobacco recognises the need for trained manpower and will continue to invest heavily in training.

Source: Cigarette firm expands operations, December 9, 2002

<http://www.eastandard.net/business/bsnews0912200202.htm>

Malawi

"Malawian Agriculture Minister Aleke Banda has promised that there will be no repetition of the obstacles imposed during the last two years on the processing of Mozambican tobacco in Malawi..."I was in Maputo and we signed an agreement to regulate cross-border trade, not only in tobacco, but also in other goods... Banda added it was necessary to bear in mind that both Malawi and Mozambique are tobacco producing countries who do business with international tobacco companies that act according to their own rules. The intention of both countries, he stressed, was to eliminate problems, and this would involve the establishment of national organisations of tobacco producers..."

Source: Tobacco Dispute With Malawi Definitively Solved. Agencia de Informacao de Mocambique (Maputo); December 7, 2002 <http://allafrica.com/stories/200212080103.html>

The International Labour Organisation (ILO) has launched a three year programme aimed at discouraging Malawi tobacco farmers from using child labour... Following an international outcry last year over the used of child labour prompted the local tobacco industry into action after threats of trade sanctions promised to cripple commercial agriculture in the country... The tobacco Association of Malawi spearheaded the creation of the Elimination of Child Labour Association following threats by international tobacco buyers to lobby for a blanket ban unless authorities took steps."

Source: ILO to Eliminate Child Labour in Malawi's Tobacco Estates - The Malawi Standard. December 24, 2002 <http://allafrica.com/stories/200212250001.html>

“Owners of Malawi’s Soccer Mecca, the BAT ground, the Blantyre and Districts Football League (BDFL), have disclosed that action returns to that pitch next month after lying idle for months because the ground was in a sub-standard state. The pitch was closed in July to pave way for rehabilitation work, which is being carried out by the Malawi Housing Corporation (MHC). BAT is financing the project to the tune of K400,000. The BAT Ground is the BDFL’s major income generating facility.”
Source: BAT Ground opens January. Malawi Insider, December 29, 2002
<http://www.malawihere.com/viewnews.asp?id=1336&recnum=5&catid=>

Mauritius

The Mauritian paper L’Express had a lengthy article on the cigarette market. BAT has 95% of the share of market in that country. A company spokesperson stated that they were able to maintain market share thanks to marketing strategies and the company’s efficacy in maintaining profits, despite growing competition from smaller companies, such as East Indies Cos., whose representative admitted that they are targeting the 15 to 25 year olds.

Source: http://www.lexpress-net.com/supplements/expresso/expresso_01.html#2

Nigeria

“When ... BAT decided to invest in the purchase of the defunct Nigerian Tobacco Company (NTC), the company knew it was a risk against the wishes of its financial advisors/consultants. Today, that gamble is a manifest multi-million dollar investment made by BAT in the ultra-modern manufacturing facilities in three cities in Nigeria - Ibadan, Zaria and Port-Harcourt. The company which merged with the NTC two years ago, is set to roll out the drums in a campaign aimed at, not only promoting the company’s products, also to showcase the positive aspects of Nigerian life, heritage and landmark achievements. To this end, the campaign is aptly tagged, ‘Proudly Nigerian.’ At an elaborate media event in Lagos last week, BAT hosted the press launch of the Proudly Nigerian campaign with fanfare. Welcoming guests to the launch, the Managing Director of BAT, Mr. Nick Haces explained that campaign marks the beginning of another exciting phase in the partnership the company is having with the Nigerian business climate and the people of Nigeria in general. “Why are we so excited about it? It is because as a company we feel especially privileged and honored to be promoting a cause that is so dear to the heart of all Nigerians who long to see the nation’s industrial sector expand, to the benefit of everybody,” he said. He explained that the ‘Proudly Nigerian’ campaign “does more than capture the vision of Nigeria becoming a proud producer of world class products and services. It also highlights the fact that the Nigerian spirit exhibits a clear capacity for excellence.”... [Haces] opined that the successes in the areas enumerated above goes a long way to show that “the sophisticated Nigerian consumer very readily and warmly embraces made in Nigeria products when such products meet their exacting quality requirements.” To this end, he informed that BAT identify strongly with the Federal Government of Nigeria’s on-going campaign aimed at sensitising the Nigerian populace to patronize ‘made-in-Nigeria’ products. He therefore expressed hope that the company’s cigarette brands will shortly fall into the category of such products... “We have also created a BAT Foundation to handle our community development project with initial capital of about USD\$150,000. The Foundation will also look in the areas of scholarships to indigent students, HIV/AIDS awareness campaign, among others. We are also going into partnership with the Ministry of Environment in the areas of afforestation and preservation of Nigeria’s rich ecosystem.”... On health risks tobacco products poses to peoples and relation to campaigns restrictions placed on tobacco products in Europe and the West, Nick explained that as a socially responsible company, “BAT will continue to abide by all the restrictions. In fact, we have imposed restrictions on ourselves beyond what the stipulated regulations in Nigeria. We accept the fact that there are health risks associated with smoking, that is why we always target adult smokers. Our products in Nigeria are highly regulated to conform with Federal Government’s regulations. The health warning we are all using is the one approved by Tobacco Decree No. 10 of 1999.”...

Source: BAT Launches Proudly Nigerian Campaign - This Day (Lagos), December 18, 2002

<http://allafrica.com/stories/200212180601.html>

BAT Gets Govt Approval for Foundation. Daily Trust (Abuja), December 19, 2002

<http://allafrica.com/stories/200212190675.html>

South Africa

“Remgro Ltd. will receive 272 million pounds (\$428 million) from its investment in R&R Holdings SA, the company said in statement to the stock exchange in Johannesburg.”

Source: Remgro to Post Gain of \$428 Mln as Unit Sells Shares in BAT, December 11, 2002
http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APfcY_hM9UmVtZ3Jv

“An anti-smoking group has laid a complaint with Stellenbosch police over tobacco sponsorship of a smoking facility at last week's conference of the African National Congress. The facility, a glass-sided "tent" with a comfortable couch, recorded jazz music and videos, was set up alongside the controversial Network Lounge. It carried posters declaring it was a smoking lounge "courtesy of Dunhill tobacco of London"... The Tobacco Products Control Act outlaws tobacco sponsorship of any "organised activity" other than intra-tobacco-company events... Dunhill manufacturers British American Tobacco had a stall in the Network Lounge, near one set up by the department of health.

Source: Activist 'smoking' over ANC tobacco ad. December 23, 2002
<http://iafrica.com/news/sa/197678.htm>

Tanzania

Several letters to the editor of the East African, from different parts of the world, protested the award given to the Tanzania Cigarette Company: “The Nation Media Group and PricewaterhouseCoopers recently listed the top 10 "Most Respected Companies and Most Respected CEOs" in East Africa. Unbelievably, they reported that the Tanzania Cigarette Company (TCC) ranked 6th and its CEO ranked 3rd in, respectively, the "Most Respected Company" and "Most Respected CEO" categories. In this world, the very people who push products on children that will kill them are awarded a prize. Is there a special award for serial killers and snipers? Murder for profit is not acceptable. Tobacco is a killer...”

Source: TCC 'Does Not Deserve Respect' - East African, December 23, 2002
<http://www.nationaudio.com/News/EastAfrican/current/Opinion/Letters1234.html>

Americas

Brazil

Brazil announced that cigarette prices will go up from 8% to 17%, due to an increase in taxation (a tax over industrialized products –IPI) in January 1st 2003. Even with the increase, the most expensive cigarettes and the ones with the largest increase still cost less than US\$1. The cheapest brands will continue to cost about 1/3 of US\$1.

Source: O Globo, December 4, 2002.
<http://globo.com.br/GloboNews/article/0,6993,A447950-2389,00.html>

Organizers of the Brazilian F1 race are trying to find a loophole in the country's advertisement ban in order to maintain tobacco company sponsorship in 2003. The legislation, approved in December 2000, already made a concession of two additional years for F1 organizers to find alternative options. Now they claim the legislation is unclear about F1 races [Note: it is not.] and even unconstitutional. Organizers enlisted the help of the country's top lawyers to argue their case, arguing, among other things, that cars and drivers dressed with cigarette brand logos are not the same as posters and billboards.

Source: GP Brasil de F-1 já trabalha contra lei do cigarro. Folha de S.Paulo, December 1, 2002
<http://www1.uol.com.br/fohla/esporte/ult92u51994.shtml>

Souza Cruz, with 4 other companies, sponsored a recital and a tour to celebrate the 40 year career anniversary of an internationally-known Brazilian pianist in Rio de Janeiro. Revenues from the recital will be donated to newly elected Brazilian President's campaign to eliminate hunger in the country.

Source: Souza Cruz apóia projeto fome zero, December 10, 2002
http://www.souzacruz.com.br/frame_left.asp?n=imprensa&sn=_artigo36

Canada

“Three big Canadian cigarette companies lost a key challenge against the government's ban on marketing and advertising tobacco products and on sponsoring sporting events, cementing existing curbs and paving the way for a sponsorship ban to take effect next year. The Quebec Superior Court ruled that the tobacco companies' rights to advertise their products could "not be given the same legitimacy as the federal government's duty to protect public health" and rejected the companies'

argument that far-reaching government restrictions on advertising were unconstitutional... Imperial Tobacco Canada Ltd., one of the companies affected by the decision, said it might appeal the judgment next year before the Quebec Court of Appeal. "Our challenge to the Tobacco Act was dismissed in just about every respect. We are naturally disappointed," Don McCarty, vice-president of legal affairs at Imperial [said]. The three firms, Imperial, a unit of BAT, Rothmans Benson & Hedges Inc., owned by Rothmans Inc and Philip Morris International Inc., and JTI-Macdonald Corp., owned by Japan Tobacco Inc., were challenging parts of the federal Tobacco Act, adopted by Parliament in 1998... McCarty said the tobacco companies want to sit down with the federal government to discuss controls on tobacco advertising and sponsorships. "We are particularly not interested in continuing in court for the next 15 years as we have been for the last 15," he said.

[Note: The judgment provides an interesting reading and many wonderful quotes to counter industry claims about the right to advertise and the lack of impact of advertising in sales and youth uptake. See link below for the full text in English and French.]

J.T.I. MACDONALD CORPORATION et al. v. THE ATTORNEY GENERAL OF CANADA - Quebec Superior Court <http://www.jugements.qc.ca/tabac-en.doc>

J.T.I. MACDONALD CORPORATION et al. c. LA PROCUREURE GÉNÉRALE DU CANADA - Cour supérieure du Québec <http://www.jugements.qc.ca/tabac-fr.doc>

Sources: Canadian tobacco firms lose key ruling on ads. December 13, 2002

http://biz.yahoo.com/rc/021213/tobacco_canada_3.html

Tobacco-ad controls OK - The Gazette

<http://www.canada.com/search/story.aspx?id=cb754194-73f9-4466-83fd-0a6e1e29750f>

Quebec court upholds tobacco marketing law - Globe & Mail

http://www.globeandmail.com/servlet/ArticleNews/PEstory/TGAM/20021214/UTOBAM/Headlines/HeadlinesNational_temp/11/11/29/

Judge Upholds Canadian Tobacco Act - Newsday/AP

<http://www.newsday.com/business/investing/wire/sns-ap-canada-tobacco->

Canadian tobacco firms lose key ruling on ads - Reuters

http://biz.yahoo.com/rc/021213/tobacco_canada_3.html

Imperial Tobacco Canada - Tobacco Companies Disappointed by Court Ruling on Bill C-71 - CNW

<http://www.newswire.ca/releases/December2002/13/c3273.html>

Les compagnies de tabac déboutées - La Presse/Reuters/PC

http://www.cyberpresse.ca/reseau/actualites/0212/act_102120167565.html

United States

There were some additional reports on Philip Morris newspapers inserts discussed last month. "...Company spokesperson Ellen Merlo, noting that the company had no legal obligation to print the brochure, says that PM simply "wanted to raise awareness" for its Web site. But outsiders see a different agenda. Under legal and regulatory attack from all sides, PM is trying to show voters, jurors, and politicians that it has turned over a new leaf. It's trying "to make it harder to penalize the industry," says Morgan Stanley tobacco analyst David J. Adelman.

Source: What's the Marlboro Man's Game? - Business Week, December 2, 2002

http://www.businessweek.com/@@5crZxWYQdARrwgA/premium/content/02_48/b3810062.htm

"A federal appeals court struck down a Massachusetts law that would have been the first in the nation to require tobacco companies to disclose the ingredients in every brand and product they manufacture, setting the stage for a possible appeal to the US Supreme Court. The entire US Court of Appeals for the First Circuit ruled that the law violated the constitutional prohibition against unlawful seizure of property by forcing tobacco companies to reveal trade secrets. A group of tobacco companies led by Philip Morris Inc. challenged the Massachusetts Disclosure Act immediately after it was passed in 1996. ... "Obviously we're pleased with the decision, because it protects the company's proprietary interest," said Mike Pfeil, vice president for communications at Philip Morris. ... Pfeil insisted that PM supports federal regulation of tobacco ingredients, although not a state-by-state "patchwork of regulatory schemes." The company already lists cigarette ingredients on its Web site, but without a breakdown by brand. Both Texas and Minnesota have laws that require tobacco companies to share some information about tobacco additives with health officials; tobacco companies did not challenge those laws, because they don't allow public disclosure. "We continue to support ingredients disclosure in a way that protects intellectual property," Pfeil said."

Sources: Appeals court bars tobacco disclosure - Boston Globe, December 4, 2002

http://www.boston.com/dailyglobe2/338/nation/Appeals_court_bars_tobacco_disclosure+.shtml

Bloomberg News, December 4, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APe4ophYqUGhpbGlw

"RJ Reynolds Tobacco Holdings Inc said it is planning to sell two of its non-tobacco businesses - packaging and botanical-extractions - and cut about 635 full-time jobs as it continues to strive to lower costs and boost profitability... "We are taking these steps to streamline our cost structure and to improve RJR's long-term earnings," said Andrew Schindler, chairman and chief executive officer.

"Increased competitive promotional spending, along with the continued growth of deep-discount brands and the effect of higher state excise taxes, have created a significantly more challenging business environment." The company said fourth quarter operating earnings will also be reduced by about \$40 million pre-tax, or \$25 million after tax, by a rise in amortisation costs caused by replacement of certain merchandising fixtures in response to changes in industry retail displays. ... RJ Reynolds said it is now expecting operating income of 1.0-\$1.01 billion in 2002, down from a prior forecast of 1.0-1.05 billion. Operating earnings per share are forecast at 6.05-\$6.10, compared with an earlier forecast of 6.05-\$6.40..." R.J. Reynolds and larger rival Philip Morris Cos. are spending more on advertising, coupons and other promotions to keep smokers from defecting to cheaper generic brands.

Source: RJ Reynolds to sell two non-tobacco units; cut about 635 full time jobs - Ananova/AFX News.

http://www.ananova.com/business/story/sm_721796.html?menu=business.latestheadlines

Bloomberg News, December 4, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APe6FmBPrUi5KLiBS

"R.J. Reynolds Tobacco Co. will roll out a new look for its Salem-brand cigarette next month in an effort to reverse the brand's declining market. The redesign is the company's latest effort to rejuvenate Salem, which is struggling in a fiercely competitive menthol-cigarette market led by Lorillard Inc.'s Newport. ... Reynolds Tobacco hopes that the packaging changes will help keep Salem smokers loyal and entice smokers of competitors' brands to switch. "It's a very exciting time for Salem," David Howard, a company spokesman, said ... In the new packaging, the nationally-available Salem will become "Green Label Box," and will only come in a flip-top box. The pack will be green. The new slide-box style will be called "Black Label Slide Box," and come in a black pack. That style will be available only in what the company calls its 10 "emphasis markets." The packaging changes were done in part to clearly identify to smokers in the emphasis markets that there are two types of Salem cigarettes. "In the markets where we've had both styles available, what we've learned over the last couple of years is that consumers are not clear that in fact we offer two different tastes," said Ronda T. Plummer, the vice president of marketing for Salem. The changes to Salem will be cosmetic; the blends of tobacco will not change... In mid-November, the company began putting inserts and "onserts" - stickers - on Salem products to alert smokers of the changes." Salem's new slogan will be "Stir the Senses".

Source: RJR to introduce a new look for Salems - Winston Salem Journal, December 4, 2002

<http://www.journalnow.com/wsj/business/tobacco/MGBANZ0LA9D.html>

Source: RJR unveils new slogan for slouching Salem brand - Winston Salem Journal

<http://www.journalnow.com/wsj/MGBESUEUS9D.html>

"R.J. Reynolds Tobacco Holdings Inc. shares rose 7.6 percent, their biggest weekly gain of the year as investors ignored the No. 2 U.S. cigarette maker's lower profit forecast and focused on its attractive dividend..."

Source: Bloomberg News, December 7, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APf1NyBSSUi5KLiBS

"Major cigarette companies plan to decrease how much domestic tobacco they buy next year, setting the stage for the smallest quota in the U.S. tobacco program's history. The six largest companies reported that they plan to buy 283.3 million pounds of American-grown flue-cured leaf, according to the US Agriculture Department... Analysts blame a variety of factors, including declining U.S. cigarette demand ..."

Source: AP, December 4, 2002 <http://newsobserver.com/nc24hour/ncnews/story/1992201p-1936751c.html>

"UST Inc., the top U.S. maker of smokeless tobacco said that while it expects 2003 earnings to rise as much as 6.1 percent, 2002 earnings are likely to fall, in line with analyst expectations, as it struggles with a sluggish market... For 2003, UST, which makes Copenhagen, Skoal and other products, said it

expects operating income and earnings per share growth of 3.4 percent. But that figure could rise as much as 6.1 percent if volume trends in moist smokeless tobacco and wine accelerate above expectations." The overall smokeless tobacco category is growing, in contrast to cigarettes, which have been on a decline.

Sources: Reuters, December 5, 2002
<http://reuters.com/newsArticle.jhtml?type=businessNews&storyID=1858201>
UST Inc. December 5, 2002 http://biz.yahoo.com/prnews/021205/nyth081_1.html
UST Sees Earnings Up Next Year and Beyond - New York Times/Reuters, December 5, 2002
<http://www.nytimes.com/reuters/business/business-tobacco-ust-outlook.html>

"Philip Morris Cos. and Brown & Williamson Tobacco Corp. must face a wrongful death suit from a smoker who blames cigarettes for his wife's death and his own illnesses, a California appeals court said. The California Court of Appeal in Los Angeles reinstated Donald Souders's cigarette liability lawsuit, marking one of the first resurrections of a smoker suit since the state high court in August limited tobacco companies' liability for their conduct from 1988 to 1998. More than 65 suits by smokers are pending in California courts..."

Source: Philip Morris Must Face California Smoker Suit, Court Rules - Bloomberg News, December 6, 2002
http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APe.7aRVMUGhpbGIw

"[Georgia] State investigators want to know why two major corporations -- Philip Morris and Publix Super Markets -- failed to disclose \$510,000 in political contributions... Both companies discovered the mistakes themselves, filed belated reports of the campaign gifts within the last six weeks and notified the Ethics Commission, officials said. But Teddy Lee, executive secretary of the commission, said in a memo to the ethics board that the Philip Morris probe was justified because of a "massive and long-running failure" to disclose contributions as state law requires... Philip Morris spokesman Dave Tovar said the company and its subsidiaries routinely contribute to lawmakers and candidates in every state "who we believe are open to listening and taking our views into account and who want to hear all views in making public policy."

Source: Atlanta (GA) Journal-Constitution, December 7, 2002
<http://www.accessatlanta.com/ajc/metro/1202/07ethics.html>

In a letter to the Washington Post, a lawyer for RJR protested claims that his client was involved in illegal activities. It stated: "As a lawyer representing R.J. Reynolds International and some of its affiliates, I was surprised by the Nov. 25 editorial "Mr. Bush and Tobacco," which repeated allegations of money laundering concerning my client and other Reynolds affiliates based on a complaint filed by lawyers for the European Union and 10 member states. The editorial did not mention that these same lawyers have had three earlier, similar smuggling actions against tobacco manufacturers -- including the Reynolds companies -- dismissed. This new action has not even been served on the defendants and seems designed to catalyze media interest in a series of claims that have been rejected at least seven times by U.S. courts. We intend to vigorously defend this lawsuit -- if and when it is ever served -- and are confident it will be dismissed. The Post offered only that "the suit may fail" and that "RJR's reputation may recover to its former level." Nevertheless, the damage has been done..."

Source: In Defense of R.J. Reynolds - Washington Post, December 10, 2002. By C. Stephen Heard Jr.; Sullivan & Heard LLP, New York
<http://www.washingtonpost.com/wp-dyn/articles/A32912-2002Dec9.html>
Mr. Bush and Tobacco - Washington Post
<http://www.washingtonpost.com/wp-dyn/articles/A34758-2002Nov24.html>

"[Florida's] \$20 billion-a-year restaurant industry must have a say in how lawmakers implement the new constitutional amendment banning smoking in restaurants, the Florida Restaurant Association's top attorney told association members who met last week in Orlando. Richard Turner, the association's general counsel and vice president of government relations, said legislators will face competing forces working to influence the language of the law, including details such as who will enforce the ban and what the penalties will be... The challenge for restaurant operators, Turner said, will be to influence the way the ban is implemented, such as determining which agency might enforce the ban. He noted that the industry already has a working relationship with the Department of Business and Professional Regulation, for example, and might prefer working with it to another agency." IN a different report, Brendan McCormick, a spokesman for Philip Morris USA said "We're not really involved in it at this point. We're looking to respond to the will of the voters. But if there are issues we can play a role in,

we will certainly respond." The tobacco industry, combined with Florida restaurants, contributed more than \$530,000 to the state Republican Party for the November elections and the two industries have poured campaign cash into the Florida GOP for years.

[Note: As described before in California (see "Tobacco Wars") and other states, passage of legislation is but a first step. The real fight often occurs at the implementing legislation level, when political influences and compromises can play a pivotal role.]

Sources: Industry crafts strategy for dealing with ban on smoking, December 16, 2002

<http://www.orlandosentinel.com/business/nationworld/orl-cfbrest16121602dec16.0.1390159.story?coll=orl%2Dbusiness%2Dheadlines>

Orlando Sentinel; December 8, 2002

Tobacco War: Inside the California Battle. <http://ark.cdlib.org/ark:/13030/ft167nb0vq/>

"Philip Morris USA has agreed to give \$17.6 million to North Carolina State University to map out the genetic makeup of tobacco... The Tobacco Genome Initiative would be carried out over a 4 1/2-year period by N.C. State's College of Agriculture and Life Sciences. N.C. State researchers say mapping out tobacco's genes could lead to engineering the leaf for alternative uses... "We hope to sequence over 90 percent of tobacco's genes," said Charles Opperman, professor of plant pathology and genetics, who will lead the project. "This does not mean we'll know what all the genes do, although in some cases we will be able to determine gene function." Philip Morris... said unlocking the genetic makeup could be used by the company to find ways to alter tobacco genetically so that negative health effects can be diminished for adults who smoke. "This is a demonstrable sign of our commitment to scientific research, particularly those associated with reducing the harm of using tobacco products," said Jennifer Golisch, a Philip Morris spokeswoman in Richmond, Va... "Tobacco is an important model system. It's used to study other plants that may be more difficult to work with," Opperman said. Data could help plant scientists understand how other species develop and resist pests, he said..."

Sources: Philip Morris to Help Map Tobacco Genome - Newsday/AP, December 11, 2002

<http://www.newsday.com/business/investing/wire/sns-ap-tobacco-genome1212dec11.0.1066050.story>

To tobacco's heart - Raleigh News & Observer, December 15, 2002

<http://www.newsobserver.com/editorials/story/2024133p-1956134c.html>

"New York City will enact a sweeping ban on indoor smoking that will include nearly all bars and restaurants, under an agreement...between the Bloomberg administration and the City Council. The law grants an exception to bars with no employees and includes "a provision for bars with in separate, enclosed rooms in bars and nightclubs that employees do not generally enter and which are used solely for smoking. The ventilation requirements for those rooms, however, are so extensive that few officials believe businesses would take advantage of the provision, especially since the exception expires three years after the law goes into effect. [It also bans smoking at outdoor arenas and stadiums.] ... Representatives of the bar industry criticized the agreement, including the exemptions." ... "If it's a health issue, then it should be prohibited in all locations, otherwise that gives economic advantage to some businesses and disadvantage to others," said Chuck Hunt, executive vice president for the New York chapter of the New York State Restaurant Association. "Our members wanted a level playing field. The exemptions don't allow for that." [The law goes into effect on March 30, 2003.] "A spokesman for Philip Morris USA, the domestic tobacco division of Philip Morris Cos. Inc., said the company opposed the measure and would have to study how it would affect smoking policies at its Manhattan offices. The company's offices have designated smoking and non-smoking areas. "We'll take a look at our own office situation and determine what changes need to be made to bring our particular building into compliance," spokesman Brendan McCormick said."

[Note: this is a strong measure but exemplifies that compromises always complicate implementation and enforcement of clean indoor air measures.]

Sources: Deal Reached to Tighten Smoking Restrictions in New York - New York Times, December 11, 2002 <http://www.nytimes.com/2002/12/11/nyregion/11CND-SMOK.html>

Bloomberg Gets Deal to Expand Smoking Curbs - New York Times, December 12, 2002

<http://www.nytimes.com/2002/12/12/nyregion/12SMOK.html>

New York Broadens Ban on Smoking - Washington Post/AP, December 12, 2002

<http://www.washingtonpost.com/wp-dyn/articles/A42658-2002Dec11.html>

<http://www.washingtonpost.com/wp-dyn/articles/A43860-2002Dec12.html>

Bloomberg Officials Defend Compromise on Smoking Bill - New York Times, December 14, 2002

<http://www.nytimes.com/2002/12/14/nyregion/14SMOK.html>

New York Passes Tough Anti-Smoking Law - New York Times/Reuters

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1931450>

N.Y.C. Smoking Ban Set for March 30. AP.

<http://www.nytimes.com/aponline/national/AP-NY-Vice-Laws.html>

"The [New York] state Office of Fire Prevention and Control is expected to release regulations soon that will require that by next July, only self-extinguishing cigarettes can be sold in New York. Buried in a progress report to the state Legislature obtained by The Post, the fire prevention office disclosed that tobacco companies fear they won't be able to meet that mandate. According to the July 1 memo, the companies say they need sufficient time to "conform a multitude of products to the standard and have those products distributed through the distribution chain to the retail shelves." The report warns: "There could be a period of time after the effective date of the regulation where no cigarettes are sold in New York." Hoping to reduce the number of cigarette-related fires, the state Legislature passed a law in 2000 that will make New York the first state to require that every cigarette sold be self-extinguishing. ... Brendan McCormack, spokesman for tobacco giant Philip Morris, said yesterday that "anyway you look at it, it's going to be a challenge to comply in that time frame." This measure comes when evidence about how the tobacco industry misled the public and policymakers about its ability to produce fire safe cigarettes came through light in tobacco industry research published in the British Medical Journal. Manufacturers stated publicly that the cigarettes would not sell, even though their own research showed smokers could not tell them apart from regular cigarettes... A 1987 document from tobacco company Philip Morris shows that a study into different types of fire-safe cigarette reached a similar conclusion, stating: "The cigarette models appear to be equally acceptable to smokers."... A document from British American Tobacco dated 1983 cites "product liability reasons" for not proceeding with fire-safe cigarettes.

Sources: N.Y. cig sales could be stubbed out - New York Post, December 11, 2002

<http://www.nypost.com/news/regionalnews/64398.htm>

New York stamps down on cigarettes - The Times, December 12, 2002

<http://www.timesonline.co.uk/printFriendly/0,,1-3-510980,00.html>

Public misled over fire-safe cigarettes - New Scientist, December 18, 2002

<http://www.newscientist.com/news/news.jsp?id=ns99993192>

The case for fire safe cigarettes made through industry documents - Tobacco Control

<http://tc.bmjournals.com/cgi/content/full/11/4/346>

Michael Pfeil, Vice President, Communications and Public Affairs of Philip Morris U.S.A. wrote a letter, in response to a November editorial, defending the company's position on the issue of lights and ultralights cigarettes. In the letter, Pfeil states that the "...Nov. 16 editorial on light and ultralight cigarettes ("Little 'light' lies that leave you breathless") gave an incomplete picture of Philip Morris U.S.A.'s actions. The major tobacco manufacturers have long included average tar and nicotine yields in cigarette advertisements pursuant to an agreement with the Federal Trade Commission. Those yield ratings are set using a test method required by the FTC. However, the ratings are not intended to reflect the amounts of tar and nicotine that each smoker inhales... The FTC always has been aware of the limitations of its test method. ... Philip Morris has asked the FTC to consider developing a new method for determining average yields that more accurately estimates tar and nicotine inhaled by the smoker, and to allow continued use of descriptors. For instance, we believe the FTC should require that manufacturers provide disclaimers for all low-yield brands that say...[that] low-yield cigarettes have not been proven to be less hazardous than other cigarettes and are not a substitute for quitting [among other information stating that there are no benefits to health or cessation on low yield cigarettes]... [PM is] providing this information to adult smokers by placing inserts in 130 million packs of our non-full-flavor cigarettes across the country - not just in Missouri and Illinois, as the editorial implied... Finally, we strongly advocate legislation that would empower the FDA with full regulatory authority over both the testing method and the use of brand descriptors.

Source: Letters To The Editor: Cigarette Tar Ratings Follow FTC Rules. St. Louis Post – Dispatch.

<http://www.stltoday.com/stltoday/news/stories.nsf/news/9EE1579FB94AD5F886256C8500210BEB?OpenDocument&highlight=2%2Csmoking&headline=Letters%3A+Cigarette+tar+ratings+follow+FTC+rules>

"Boston public health commissioners voted unanimously to ban smoking in bars, nightclubs, and restaurants, making the city the largest on the East Coast to order virtually all workplaces to become tobacco-free. Starting May 5, 2003, it will be illegal to [smoke] in any of the 2,263 establishments in Boston that serve food or drink. Owners who violate the rule face fines as high as \$1,000... But in a development that unfolded after news of the vote began circulating, trade associations that have long fought a statewide smoking prohibition appeared to be altering course, supporting a statewide ban

rather than regulations that cover only selected communities. The executive director of the Massachusetts Hospitality Association, a consortium of 100 restaurants, taverns, and clubs in the Boston area, said that his members in Boston face financial ruin unless a ban applies to all establishments in the state equally. "Not having it statewide puts Boston establishments at a tremendous competitive disadvantage," said a weary-sounding Alan Eisner, leader of the trade group. "Statewide, at least we'd have a level playing field. I'd prefer a statewide ban to the situation we have now."

Source: City bans smoking in bars, eateries - Boston Globe, December 12, 2002

http://www.boston.com/dailyglobe2/346/metro/City_bans_smoking_in_bars_eateries+.shtml

Citywide smoke ban OK'd - Boston Herald, December 12, 2002

http://www2.bostonherald.com/news/local_regional/smok12122002.htm

"A federal appeals court threw out the tobacco industry's lawsuit challenging the landmark 1993 government finding that secondhand tobacco smoke increases the risk of cancer. The 4th U.S. Circuit Court of Appeals unanimously ruled the Environmental Protection Agency's report on secondhand smoke was not subject to court review because it was advisory and not a final agency action... The EPA report declared secondhand tobacco smoke a carcinogen and the cause of more than 3,000 lung-cancer deaths a year. "I'm a little disappointed that the Court of Appeals felt they couldn't rule on this," said Arnold Hamm, assistant general manager of the Raleigh, N.C.-based Flue-Cured Tobacco Cooperative Stabilization Corp. The marketing cooperative for tobacco farmers in five states from Florida to Virginia was the lead plaintiff. Hamm said the cooperative's board of directors probably will discuss whether to appeal... He noted that the EPA report has already prompted many local rules restricting public smoking. "At this stage of the game, if the 4th Circuit had agreed with us it would have been more of a moral victory," Hamm said... A federal judge in North Carolina ruled in 1998 that the EPA did not demonstrate a "statistically significant" link between tobacco smoke and lung cancer. [This] ruling overturned that decision. Other plaintiffs in the case were Philip Morris, R.J. Reynolds Tobacco Co., Gallins Vending Co., the Council for Burley Tobacco and Brown & Williamson Tobacco."... "Paul Kamenar, senior executive counsel for the Washington Legal Foundation,[a group that frequently defend the views of the tobacco industry] which filed a brief on the side of the tobacco companies, said the opinion finds that the EPA report was not the type of government agency action that any court can review. Other agencies have imposed restrictions on indoor smoking based in part on the report, Kamenar said, but "the report itself does not impose any legal obligations on anyone." If it did, the courts might have standing to review it in a legal action. "I think the decision is erroneous," said Kamenar, "and I don't know why it took 3½ years to render a decision."

Sources: Challenge on Secondhand Smoke Thrown Out - New York Times/AP, December 12, 2002

<http://www.nytimes.com/aponline/national/AP-Secondhand-Smoke.html>

Suit on Secondhand Smoke Dismissed - Washington Post, December 12, 2002; Page A16

<http://www.washingtonpost.com/wp-dyn/articles/A43034-2002Dec11.html>

Second-hand Smoke Ruling Overturned - Richmond Times-Dispatch, December 11, 2002

<http://www.timesdispatch.com/news/localupdates/MGBLOYXYL9D.html>

Flue-cured tobacco cooperative v. EPA - 4th U.S. Circuit Court of Appeals

<http://pacer.ca4.uscourts.gov/opinion.pdf/982407.P.pdf>

Mistaken ruling, unmistakable facts - TCRC/TPLP

<http://www.tobacco.neu.edu/Extra/hotdocs/OsteenArticle.htm>

"Philip Morris Cos Inc, RJ Reynolds Tobacco Corp, Lorillard Tobacco Co and Brown & Williamson Tobacco Corp won a class action lawsuit that had been brought here against them on behalf of California residents under the age of 18 who smoked cigarettes, lawyers for the plaintiffs said. Law firm Blumenthal & Markham said the plaintiffs would appeal the verdict in the case, Daniels vs Philip Morris, which challenged the marketing and advertising of the tobacco companies."

Source: Philip Morris, RJ Reynolds, others win California tobacco class action suit - Ananova/AFX News, December 16, 2002

http://www.ananova.com/business/story/sm_728987.html?menu=business.latestheadlines

"A California judge slashed a record \$28 billion jury award against cigarette maker Philip Morris Cos. to a comparatively paltry \$28 million, calling the punitive damages "legally excessive." Philip Morris said it still planned to appeal the verdict and expects the process to take several years. A jury ordered the company in October to pay \$28 billion in punitive damages to 64-year-old Betty Bullock, a woman suffering from terminal lung cancer who blamed the company for failing to warn her of the risks of smoking. In a written ruling, Judge Warren Ettinger, of California Superior Court for Los Angeles

County, slashed the damages, but turned down the company's bid for a new trial. He said a new trial on punitive damages would be ordered if Bullock refuses the reduced judgment... In a statement, Philip Morris said the new ratio is nearly 33 to 1, well in excess of the four-to-one ratio the U.S. Supreme Court has suggested approaches the constitutional limit of such awards. "A critical element was what the plaintiff knew about the health risks of smoking ... the evidence was clear that Mrs. Bullock was aware of the risks and never relied, to her detriment, on anything the company said or did," William Ohlemeyer, the company's associate general counsel, said in a statement. [He also said that] "Philip Morris U.S.A. understands that many people have strong feelings and opinions about tobacco. That emotion -- and any desire for changing the rules governing the tobacco industry -- should be directed to the legislative process, rather than the courts,..." Shares of PM rose after the judge's decision was announced. [Bullock has accepted the reduced award, but PM continues to state it will pursue all appeals available.]

Sources: \$28 Bln Tobacco Award Slashed to \$28 Mln – Reuters, December 18, 2002

<http://www.reuters.com/newsArticle.jhtml?type=topNews&storyID=1932037>

Judge Slashes Huge Award in Smoking Case - Los Angeles Times, December 19, 2002

<http://www.latimes.com/business/la-fi-smoke19dec19.story>

Philip Morris gets break in damage award – CNN, December 19, 2002

<http://europa.cnn.com/2002/LAW/12/18/tobacco.verdict/>

Smoker's award cut from \$28bn to \$28m - The Guardian

<http://www.guardian.co.uk/international/story/0,3604,863293,00.html>

Philip Morris U.S.A. Will Pursue Prompt Appeal In Bullock Case - Philip Morris

http://www.philipmorris.com/pressroom/press_releases/bullockappeal.asp

Smoker Accepts Reduced Tobacco Settlement - Newsday/AP, December 24, 2002

<http://www.newsday.com/business/investing/wire/sns-ap-tobacco-suit1224dec24.0.3286245.story?>

"To help strengthen the safety net available to survivors of domestic violence, Philip Morris Companies Inc. has awarded its largest domestic violence grant-making effort to date: a \$5 million commitment over two years to more than 100 nonprofit organizations in 24 states and the District of Columbia... The Doors of Hope Program is a national grant-making initiative of Philip Morris Companies Inc., in partnership with the National Network to End Domestic Violence Fund..."

[Note: throughout Latin America and other regions PM is doing the same thing. A visit to PM website shows its efforts in funding domestic violence initiatives in Ecuador and Panama, to mention a few.]

Source: PR Newswire, December 20, 2002

<http://www.philipmorris.com/media>

Philip Morris Companies Inc. Grants Help Fill Critical Gaps in Community Services that Address Domestic Violence http://biz.yahoo.com/prnews/021220/dcffns1_1.html

"More than a year after saying it plans to rename itself Altria, Philip Morris will launch a campaign in late January to herald the new name. The tagline: "Where people and performance make a difference."... The goal of the campaign [being developed by long time PM ad agency Leo Burnett] is to let consumers know that Altria is the holding company for Kraft, PM USA and PM International, and that those entities will not change their names. The spots will be unlike PM's previous corporate-image effort, which showed PM employees bringing water to flood victims and aid to war refugees. That effort backfired when activists publicized that PM spent more money--\$80 million during 2001, according to CMR--on promoting its good works than on actual assistance. The new initiative will promote core values like financial strength, operational excellence, good marketing and management, and social responsibility. On the social-responsibility front, Kraft next year will launch an educational campaign about childhood obesity. PM USA, Altria's domestic cigarette operation, will continue touting philipmorrisusa.com as a clearinghouse for information about smoking health risks, quitting smoking and links to health authorities."

Source: Burnett to Tout PM's New Name, December 17, 2002

http://story.news.yahoo.com/news?tmpl=story&u=/adweek/20021217/ad_bpiaw/burnett_to_tout_pm_s_new_name

"In 1999, the executives of Philip Morris Companies got a painful wake-up call. In just nine years, the company had slipped from fifth to 496th on Fortune Magazine's most admired American corporations list, Philip Morris Director of Media Relations Frank Gomez told the Champaign County Chamber of Commerce... Philip Morris, the parent company of Kraft and a major employer in Champaign, has been on an all-out campaign to change its image from cigarette-pusher to good corporate citizen... "Consumers today expect, even demand, that companies demonstrate ethical behavior and show

concern for the community, the environment and human rights," Gomez said. That boils down to putting the needs of society on an equal footing with the needs of shareholders, he added... "Society wanted us to deal proactively with the difficult problems surrounding tobacco," Gomez said. "But we spent so much time in court arguing our tobacco companies' positions on smokers' rights, the legality of cigarettes and freedom of speech that we lost where it really matters in the court of public opinion."... Philip Morris U.S.A. has established a youth smoking prevention department funded with \$100 million a year. And, Gomez adds, "if these efforts cause a decline in sales of Philip Morris cigarettes, we're prepared to accept that."..."

Source: Champaign, Ill., Chamber of Commerce Hears about Philip Morris's Image Revamp. The News-Gazette, December 17, 2002

http://brownw.newsreal.com/pages/brownw/Story.nsp?story_id=35270889&ID=brownw&scategory=Tobacco&

"Tobacco companies say they're just out pitching their products, handing out free packs of cigarettes to smokers in clubs and pubs around New York, trying to get them to switch brands... At Lark Tavern, Camel representatives often appear on weekends or during live music sets, looking for smokers. They ask those with cigarettes if they would like two free packs, take their IDs to scan and return with the Camels most similar to their regular brand. Called the Camel Club, first launched in 1994, the program has been in Albany since the spring of 2001. "We are trying to get these adult smokers to switch to our brands," said David Howard, spokesman for R.J. Reynolds... Howard said the company does not sell the information scanned off the IDs or give it to any third parties but adds the names and addresses to product mailing lists. Since the Master Settlement Agreement in 1998, which banned tobacco companies from targeting youth in advertising, other programs, like these giveaways, have sprung up around the country.

Source: Bar patrons receive free cigarettes from tobacco companies - Newsday/AP. December 25, 2002

"Philip Morris Cos.'s request to overturn a \$79.5 million jury award to relatives of a long-time Marlboro smoker who died of cancer was rejected by Oregon's highest court... Philip Morris said it will appeal to the U.S. Supreme Court. Philip Morris is currently appealing six multimillion-dollar verdicts in California and Oregon... "We are disappointed that the Oregon Supreme Court sidestepped this case because it involves legal issues that are critically important," said William Ohlemeyer, Philip Morris's vice president and associate general counsel, in a statement. "We continue to believe that the ... verdict should be set aside on a number of legal grounds, including the excessiveness of the punitive damages award, and we are hopeful that the U.S. Supreme Court will agree to hear the case and send it back to Oregon for a new trial," he added. Ohlemeyer said that the excessiveness of the punitive damages award as well as other issues warrant review by the U.S. Supreme Court."

Source: Philip Morris \$79.5 Mln Award Upheld by Oregon Court - Bloomberg News, December 26, 2002

http://www.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APguaDBSpUGhpbG1w

Philip Morris USA Seeks Supreme Court Review Of Ore Verdict - Dow Jones, December 26, 2002

http://biz.yahoo.com/djus/021226/1807000294_1.html

"A federal judge in California ruled in favor of the top two U.S. cigarette makers in a suit brought by the family of a deceased smoker, saying there was not enough evidence to back claims that Philip Morris and R.J. Reynolds were responsible for the smoker's death... The case was being heard by a jury, but after the plaintiffs rested their case, U.S. District Court Judge Sandra Armstrong entered a directed verdict in favor of R.J. Reynolds and Philip Morris, saying that as a matter of law the jury could not reasonably return a verdict for the plaintiffs, R.J. Reynolds said... [The Judge said the] "plaintiffs failed to produce sufficient evidence to support their claims that the companies were responsible for the death of Frank White," R.J. Reynolds said in a statement.

Source: RJ Reynolds, Philip Morris win Calif. smoking suit. December 31, 2002

http://biz.yahoo.com/rc/021231/tobacco_rjreynolds_philipmorris_4.html

From RJR: http://rjr.com/TI/TIlitigation_Backgrounderview.asp?DocId=401

Regional

PAHO's release of a report on the tobacco industry activities in the Latin American and Caribbean region generated wide media coverage in the region. "Commenting on the report, Jayme Fowler, Philip Morris' communications director for Latin America, said the information included in the report is not new, but rather consists of statements and internal documents that have been available to the public for

several years. "It is not constructive to dwell on events that (occurred) several years ago," he told Reuters Health. "It is more productive to focus on what we can and should be doing to address society's legitimate concerns about tobacco"... A British American Tobacco spokesperson echoed those sentiments... In response to the specific claims raised in the report, however, the spokesperson said "tobacco companies are interested in supporting the dissemination of the views of people who take an open-minded approach to the issue of 'second-hand smoke.'" However, "BAT has not designed youth smoking prevention campaigns as PR (public relations) exercises." Finally, "there is no convincing evidence that the substance of any work or the opinion of any doctor or scientist has been altered or affected by tobacco industry influence," the spokesperson said." In Nicaragua, the media gave almost equal space to coverage of the report findings and a statement by BAT where a company representative stated that BAT acknowledges that they sell a product that poses a health risk and that the company is committed to preventing young people from smoking.

Sources: Tobacco Firms Lied to Latin Americans - Reuters

<http://www.reuters.com/newsArticle.jhtml?type=healthNews&storyID=1938065>

PAHO: Tobacco Firms Lied to Latin Americans - Yahoo!/Reuters

http://story.news.yahoo.com/news?tmpl=story&u=/nm/20021219/hl_nm/tobacco_smoking_dc_1

OPS denuncia que tabacaleras pagaron a científicos chilenos para limpiar su imagen - La Tercera (Chile)

http://www.tercera.cl/diario/2002/12/18/23.CYT.TABACO_OT.html

OPS asegura que tabacaleras son rentables a costa de la gente - La Prensa (Nicaragua)

<http://www.ni.laprensa.com.ni/cronologico/2002/diciembre/19/nacionales/nacionales-20021219-04.html>

Batca: Informamos que fumar es un riesgo para la salud - La Prensa (Nicaragua)

<http://www.laprensa.com.ni/nacionales/nacionales-20021222-05.html>

Profits Over People - PAHO

http://www.paho.org/English/HPP/HPPM/TOH/profits_over_people.pdf

Eastern Mediterranean

Jordan

"Jordan's bourse rose in robust post-holiday trading, with surging demand for International Tobacco amid talk it was about to announce a licensing deal with a major US brand, dealers said... The heaviest traded stock, International Tobacco gained 4.85 per cent to close at JD4.11 after shares worth JD1 million changed hands — almost half the daily trading."

Source: Demand for International Tobacco shares surge. Jordan Times, December 11, 2002
<http://www.jordantimes.com/wed/economy/economy5.htm>

Philip Morris launched a \$5 million project to produce Marlboro cigarettes in Jordan. It will produce both full flavor and lights version of the brand in partnership with Jordan's privately owned International Tobacco and Cigarette Company (ITCC) and distributed, locally only, by Al Robban Trading Company. "The ITCC's whole output will be for the local market with a 20-cigarette Marlboro pack priced at JD1," said Surinder Mand, the general manager for Philip Morris International in the Levant area. "The price is very much affordable for smokers here and is reasonable for one of the premium and highest-quality brand in the world," he said. "The share price is expected to rise when the company starts producing Marlboro in the local market," said Ibrahim Al Juaba from the ITCC. The company, established in 1994, has a JD15 million capital and around JD40 million in reserves. A bulk of the ITCC's products is exported to the Iraqi market. The launch comes as Jordan is waging an anti-smoking campaign across the country, where around 29% of the 5 million population are smokers, most of them men.

Sources: Philip Morris launches \$5 million Marlboro cigarette plant in Jordan

http://www.ananova.com/business/story/sm_726499.html?menu=business.latestheadlines

ITCC starts producing Marlboro in Jordan, December 12, 2002

<http://www.jordantimes.com/Thu/economy/economy2.htm>

Philip Morris launches five million dollar cigarette plant in Jordan, December 12, 2002

<http://www.zawya.com/Story.cfm?id=ANA223346100529&Section=Countries&page=Jordan>

Pakistan

"The two tobacco companies - Pakistan Tobacco Company (PTC) and Lakson Tobacco Company (LTC) - have closed down five purchasing centres in the tobacco cultivating areas of the NWFP. [The companies] already informed the Pakistan Tobacco Board (PTB) about their decision and it was the responsibility of the board to inform the tobacco growers in time about the prevailing situation and the intention of the major companies for the year 2003 season... When asked about the reason of closing down the tobacco purchasing centres, they said in the last four years the two companies had purchased bulk of surplus tobacco and the government had failed to make tobacco an exportable commodity like rice and cotton. Besides, they said, the anti-smoking campaign was also one of the reasons behind this act.

Source: Five tobacco purchasing centres closed down, December 11, 2002
<http://www.dawn.com/2002/12/12/local27.htm>

Europe

Bulgaria

"Two hundred thousand tons of tobacco have been purchased by Bulgartabac since the beginning of the year. CEO Georgi Kostov said... He warned that newly introduced quality standards are inspiring tensions between producers and purchasers."

Source: Bulgartabac Posts Tobacco Purchase Figures. December 11, 2002.
http://www.novinite.com/view_news.php?id=17171

"Bulgaria's highest administrative court overruled the government and upheld its cancellation of a deal to sell tobacco monopoly Bulgartabak to a consortium backed by Germany's Deutsche Bank. The court also ordered all four bidders in the original tender to submit improved offers. The three losing bidders [Metatabak and Rosbulgartabak, both of Russia, and Austria's Tobacco Holding GmbH] had previously appealed the tender's result on procedural grounds. In October the court canceled the deal to sell 80 percent in the tobacco producer to a consortium of Sofia-based Tobacco Capital Partners and Dutch-registered Clar Innis, backed by Deutsche Bank AG, for 110 million euros (about US\$110 million.) [The] rejection of the subsequent appeal makes the court ruling irrevocable and will delay Bulgartabak's privatization, seen as key for the reformist government's efforts to speed up sales of state assets and attract foreign investment.

Sources: Bulgarian court orders new bids for tobacco monopoly. December 17, 2002
http://story.news.yahoo.com/news?tmpl=story&u=/ap/20021217/ap_wo_en_bu/eu_fin_bulgaria_tobacco_1

Finland

"[Finland's] Amer Group is seeking an "urgent" exit from its tobacco operations as they do not fit with its image as a sporting equipment supplier or with the company's move into the fitness business, Amer chief executive Roger Talermo said. ... Talermo said getting out of tobacco "is becoming urgent, specifically as we go into the fitness business". ... Talermo said though that Amer would be unable to simply sell the business as it is a licensed producer for Philip Morris Cos Inc. "So we have to at some point negotiate with Philip Morris, if we so decide to step out of it," he said, without commenting on whether there had been any discussions with the US tobacco company."

Source: Amer seeks rapid exit from tobacco business as focus switches to fitness ops – Ananova.
http://www.ananova.com/business/story/sm_721558.html?menu=business.latestheadlines

France

The French paper le Monde had an article discussing that despite the approximately \$350 million dollars that F1 gets in sponsorship from the tobacco industry, there is a trend of seeking sponsorship elsewhere, due to growing advertisement restrictions. The article cites Flavio Briatore, the boss of team Renault, as saying that there is a number of other companies ready to invest in F1.

Source: La formule 1 joue à cache-cache avec ses sponsors - Le Monde, 5 décembre 2002
<http://www.lemonde.fr/article/0,5987,3236--300775-,00.html>

"Franco-Spanish tobacco giant Altadis has denied speculation it might be a takeover target for British rival British American Tobacco. "We have very strong qualities that allow us to grow independently, without the friendly or not (friendly) support of BAT," Altadis co-president Jean-Dominique Comoli

told French radio RTL... "I formally deny any sort of approach by BAT," he said. Comoli was reacting to market talk that BAT may be mulling a bid for Altadis."

Source: Altadis boss denies BAT approach

<http://www.reuters.co.uk/newsArticle.jhtml;jsessionid=0SUVPM0VM2ZVGCRAEKSFFA?type=businessNews&storyID=1906862>

Ireland

"John Player & Sons said today that it was disappointed at the Government's decision to increase tobacco tax by more than double the rate of inflation. According to the cigarette manufacturer, which employs 90 people in Ireland, experience in other markets shows this is likely to cause a surge in cigarette smuggling and, far from deterring smokers, could undermine other Government smoking policies... Liam Peters, managing director of John Player & Sons, said, "Quite apart from putting a completely unfair tax burden on smokers, a duty increase of more than double the inflation rate flies in the face of logic and experience. All the evidence from the UK and elsewhere shows that excessively high tobacco tax encourages smuggling as well as legal cross-border trading in cheap cigarettes. This means product will come onto the market that we as an industry cannot control and therefore cannot ensure that it complies with tobacco regulations. The growth of a black market also damages the economics of retailing in Ireland by undermining the livelihood of legitimate tobacco retailers," he added." Similarly, "The Irish Tobacco Manufacturers Advisory Committee says that it is a regrettable move. They insist it is one that will push up inflation and increase the cost burden on the one third of Irish adults who smoke. The Committee also said that the 50c extra tax will lead to an increase in the smuggling of tobacco."

[Note: As reported last month, the industry argued against advertisement bans claiming that taxation was a more effective way to reduce sales, but when taxes are increased, the industry uses the smuggling argument to counter it.]

Sources: John Player slams cigs hike. Business & Finance. December 4, 2002

<http://www.online.ie/business/latest/viewer.adp?article=1897022>

Tobacco industry blasts Budget hikes. December 4, 2002

<http://breaking.examiner.ie/2002/12/04/story79395.html>

Italy

"The Italian government received five non-binding offers for the nation's cigarette monopoly after two companies pulled out and another two joined forces... British American Tobacco Plc and Swedish Match AB decided to submit a joint offer for Ente Tabacchi Italiani SpA, [a local] newspaper said. Other bidders are Altadis, Europe's No. 3 tobacco company, which is bidding together with Equinox Investment Co.; Japan Tobacco, the third-biggest tobacco company; and two groups formed by Italian businessmen [One of which is reportedly the Benetton family]." BAT would acquire ETI's manufacturing business. Swedish Match, which does not manufacture cigarettes, plans to expand its European business distributing products including snuff, chewing tobacco and nicotine chewing gum

Sources: Bloomberg News, December 20, 2002

BAT, Swedish Match in Joint Bid for Italy's ETI, December 1, 2002

http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APenALhTPOkFULCBT

AFX News, December 1, 2002 <http://www.afxpress.com/afxpress2/afx/bn247927.xml.html>

Italy Gets Less Than 8 Bids For Tobacco Co ETI. December 18, 2002

http://biz.yahoo.com/djus/021218/0742000271_1.html

BAT, Swedish Match look for partner for ETI bid, December 9, 2002

<http://www.reuters.com/financeNewsArticle.jhtml?type=mergersNews&storyID=1876262>

Norway

"Norway is set to become the first country in the world to ban smoking from all indoor public places, including bars. ... Oliver Griffiths, from the Atmosphere Improves Results (AIR) initiative, [a tobacco industry-funded group] which is fighting for self-regulation on smoking for the pub trade, said: "The Norway news is a timely reminder for the UK industry to get its act together. "The news will only increase the urgency with which health groups and others pursue a ban here – especially with the public places charter coming up for review in the new year." Mr Griffiths says licensees must ensure their pubs are compliant with the smoking charter to avoid this type of legislation. "For most this just requires them to put up a smoking policy sticker or sign outside the premises and a policy statement

inside,” he added. “Licensees must also improve conditions for their workers through either upgrading their ventilation or initiating a smoking ban at the bar.” The Department of Health agreed to targets set by the industry’s Charter Group, which state that 50 per cent of all pubs must be compliant with the charter by the end of this year. ... Several states and cities in the USA, Canada and Australia already have similar bans to the Norwegian proposals, which came about after heavy pressure from restaurant workers’ unions.”

[Note: as said before, ventilation and separated smoking sections do not eliminate the health hazards caused by second-hand smoke, but the tobacco industry insists and heavily invests in these “solutions”.]

Source: Norway's proposed smoking ban a 'timely reminder' for UK pubs - The Publican.

<http://www.thepublican.com/cgi-bin/item.cgi?id=8170&d=11&h=24&f=23&dateformat=%0-%B-%Y>

Romania

“The Law relating to the prevention and combat against the effects of tobacco products consumption, expected to come into force on December 21, cannot be enforced, due to unclear provisions and the absence of enforcement measures,” officials of the Japan Tobacco International and Philip Morris Romania tobacco companies stated... “The Law Against Smoking in Enclosed Public Places cannot be enforced as it is now. The Health Ministry acknowledges that fact that the law is wrongly issued and is preparing an emergency decree to modify it. The decree will probably be passed in January,” said Gilda Lazar, Corporate Affairs Manager of Japan Tobacco International. The main provisions in the law that are irking the cigarette makers relate to the ban on trade in packages smaller than 20 cigarettes, as well as the absence of a clear definition of public places. “The text of this document is confusing and irresponsible. A definition of the public places should have been offered and the term “pollutant” dropped out as there is no connection between it and cigarette smoke. The ban on the trade in packages smaller than 20 cigarettes should also have been dropped out, as there is no such ban in the European Union,” said Lazar. She added that the emergency decree currently worked on will bring necessary clarifications. The Law Against Smoking in Enclosed Public Places establishes some measures for the prevention and combat of consumption of tobacco products by banning smoking from enclosed public spaces, with some exceptions, and making it mandatory for cigarette packages to carry certain inscriptions as well as for certain public campaigns against smoking. Under this law, smoking is only allowed in places that are specially created to this end, which are well aired. Bars, restaurants and disco houses are exempted from the law. Also banned is item trade of tobacco products and of packages of less than 20 cigarettes. The documents also define some terms, including tobacco products, smoking, cigarettes, cigarillos, nicotine, pollutant and enclosed public place... Philip Morris has also stated itself against the current version of the law. “Philip Morris agrees with the need for smoking to be regulated, but, although the intentions of the law are good, its provisions are unclear and make the law unenforceable,” said Peter Imre, corporate affairs director with the company. He also asked for the article banning the selling of packages of less than 20 cigarettes to be repelled and the term of public places better defined. “In our opinion, education houses, airports, public transport means are indeed public places, but private companies cannot be considered public places. Enforcing or not the restriction within a company should be left with the employers to decide,” said Imre. The management of Philip Morris Romania is also arguing that private offices used by only one employee should not be included among the places where smoking is forbidden.

[Note: The industry documents reveal that smaller packs, such as 10s, is an industry strategy to introduce new brands and gain market share among “starters”. And the industry continues to refuse to accept that second hand smoke is an indoor air pollutant.]

Source: Cigarette makers ask for modifications to Law Against Smoking in enclosed public places - Nine o'Clock, December 19, 2002

<http://www.nineoclock.ro/index.php?show=business&issue=2824&id=20021219-111844>

Serbia

“Major tobacco companies have expressed interest in buying Serbia's two cigarette plants, which could be offered for sale in January once regulatory legislation is in place, the Privatisation Agency said. Director Vladimir Cupic said British American Tobacco, Philip Morris, Japan Tobacco International, Imperial Tobacco Group and others were keen to enter Serbia, where billions of cigarettes are lit up each year...”

Source: Smoking Serbs light tobacco majors' fire - B92/Reuters

http://www.b92.net/english/news/index.php?lang=english&version=standard&my_categories_class='News'&nav_category=&nav_id=20494&order=priority&style=headlines

Spain

The former head of exports of Tabacalera (now Altadis, after the merge with Seita) was accused by the Anti-corruption Agency of involvement in a smuggling network, responsible for bringing almost 21 million packs of cigarettes into Spain and the UK between 1997 and 1998. The official destinations of the packs were countries outside the EU (Lebanon, Iraq, Angola, UAE, Gambia). The Agency requested the courts to look into the matter that led to a fraud of 31 million Euros.

Source: Un alto cargo de Tabacalera, implicado en una presunta red de contrabando a gran escala - El Diario Montañés. December 22, 2002

<http://www.ideal.es/almeria/edicion/prensa/noticias/Espana/200212/22/ALM-ESP-042.html>

<http://www.eldiariomontanes.es/edicion/prensa/noticias/Nacional/200212/22/DMO-NAC-098.html>

Sweden

“The roll your own market is booming with sales up 3.5% last year according to the annual Swedish Match Market Report. It estimates that around four million people make their own cigarettes and the numbers are set to grow as successive tax increases push the retail price of cigarettes higher.”

Source: ASH-UK; Independent Retail News, 29 November 2002

Switzerland

“Switzerland is planning to follow the European Union by banning most tobacco advertising, according to health officials. However, the Federal Health Office admitted that it would be several years before Bern came close to matching the scale of the EU’s ban... Tobacco advertising is worth SFr80 million a year in Switzerland... The EU’s new law, to come into force in 2005, has already run into stiff opposition, particularly from media firms... Piero Schäfer, spokesman for umbrella association of Swiss advertisers, said his members would be fighting tooth and nail to resist any attempts to extend the ban in Switzerland. He told swissinfo that his organisation had assembled an alliance of 20 firms, including tobacco companies, to fight moves to ban tobacco advertising. “We have done a lot of lobbying in Bern, and have done quite a good job on a national level [where] we have blocked an initiative put before parliament.” He said bans were becoming more common at a local level, and these were proving harder to counteract. Schäfer poured scorn on suggestions that a ban on tobacco advertising had any effect on smoking. “There is no evidence that a ban on tobacco advertising leads to a decline in smoking. Our position is that, as long as cigarettes are legally on the market, manufacturers must be able to advertise the product.” The Swiss advertising industry is worth about SFr7 billion a year, SFr80 million of which – just over one per cent - comes from tobacco advertising.”

Source: Swiss lean towards tobacco advertising ban - Swissinfo, December 3, 2002

<http://www.swissinfo.org/sen/Swissinfo.html?siteSect=111&sid=1493713>

“... Cie Financiere Richemont SA, which with its portfolio of brands such as Cartier, Van Cleef & Arpels and Montblanc is the world's number-two luxury group, said it was selling warrants exercisable into BAT shares in May 2004. The deal would generate an extraordinary book profit of 300 million euros in the financial year to March 31, but the cash gain would be limited, company sources said. Under the terms of a 1999 merger of Richemont's Rothmans International tobacco interests with those of BAT, Richemont obtained a 23.3-percent stake in the London-based tobacco firm, which is the world's number-two cigarette maker... "Absent any major capital increase in BAT, which would have allowed R&R Holdings to convert its holding of preference shares into ordinary shares, Richemont and Remgro were therefore effectively forced to sell the preference shares or have them redeemed in 2004," Rupert added in a statement. The total Richemont stake will be less than 20 percent. Switzerland's Richemont owns two-thirds of R&R, and South Africa's Remgro Ltd. the rest. The family of Johann Rupert, the African country's second-richest man, holds stakes in both companies... The agreement was reached when Richemont and Rembrandt Ltd., whose industrial, mining, banking and tobacco interests are now owned by Remgro, sold Rothmans International SA to the world's No. 2 cigarette maker in 1999 for a 35 percent stake in BAT... After the sale of the preference shares in 2004, R&R will own about 27.8 percent of BAT, according to du Plessis... Richemont's earnings from its BAT investment increased by 4 percent to 270 million euros in the fiscal first half, helping counter a 27 percent drop in

operating profit at its luxury-goods business. Remgro had an 86 percent increase in first-half profit after the weaker rand boosted earnings from its BAT investment.

Sources: Richemont strikes deal to cut BAT stake, December 11, 2000

<http://www.reuters.co.uk/newsPackageArticle.jhtml;jsessionid=XYFUSDVSNVN20CRBAELCFEY?type=stocksAndSharesNews&storyID=195159>

Richemont to Post Gain of EU300 Million on Stake Sale, December 11, 2002

http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APfePFRUKUmljaGVt

Ukraine

There was a length article describing a small cigarette smuggling operation along the Ukrainian-Moldovan border. One of the smugglers is quoted as saying: "It's interesting that everybody wants to fight smuggling, but nobody really wants to get rid of it, because they need it. Both the customs people and the police. They are paid a minuscule amount, and they need to live somehow, and so they milk us. [We] are small-time smugglers. But there are those who bring hundreds of boxes across the border at a time. Their daily take is, count it, a thousand bucks. And that's in each car. And they work in groups of three or four vehicles..."

Source: 2000, Kiev, in Russian, December 6, 2002

http://hoovnews.hoovers.com/fp.asp?layout=displaynews&doc_id=NR20021206670.2_53620068f6872a85

United Kingdom

A Tobacco Reporter article has a profile of Imperial Tobacco's CEO Gareth Davis, highlighting the Reemtsma acquisition. In the article, Davis says: "We now have 36 manufacturing sites and three joint ventures and we sell more than 120 brands in over 100 markets worldwide... We have every intention of pushing ahead with our international operations, both organically and through acquisition, but by no means ignoring the requirement to strengthen our original domestic market positions in the U.K. and Germany... We operate a responsible export supply policy and we have never supplied any overseas market with the intention that our products would be diverted into smuggling."

<http://www.tobaccoreporter.com/current/story2.asp>

There were a few reports of Gallaher plans to make a major advertisement blitz before the UK advertisement ban goes into effect in February 2003. "Tobacco giant Gallaher is putting together one last press and poster push in tribute to its past successes, including its "Happiness is a cigar called Hamlet" campaign and its iconic Silk Cut ads, which were famous for never mentioning or showing the product. ...Tobacco companies spent just £20.6m on advertising in the UK last year. Instead, they are working on alternative ways of marketing their products. Marlboro now has a branded clothes range and other cigarette companies have launched entertainment websites to direct young people to bars and clubs that sell their products. Rothmans recently launched a competition with trivia questions inside cigarette packets. Smokers were invited to telephone in their answers to win a prize. "We want to celebrate the history of the great advertising we've done," says [Gallaher] spokeswoman Michelle McKeown, citing the legacy of the company's award-winning campaigns.... Once the ban kicks in, tobacco companies will have to think of new ways to market themselves. Gallaher says it will focus on continuing to improve its merchandising-display units to make shelves more flexible for retailers, as well as on customer research to make sure retailers know which brands most appeal to their customers. Ms. McKeown says the company is waiting for clarification from the government as to what type of information it can promote on display units. "We want to be sure we behave responsibly," she says."

Sources: Saatchis to produce Silk Cut swansong - The Guardian, December 6, 2002

<http://media.guardian.co.uk/tobaccoads/story/0,7521,855071,00.html>

ASH-UK, Wall Street Journal Europe, December 6, 2002

"MPs may have voted to ban tobacco advertising - but that hasn't stopped their own magazine accepting sponsorship from the smokes industry, says The Star today. The January page in their 2003 House Magazine calendar carries an advertisement from the Tobacco Manufacturers' Association, which led an unsuccessful campaign against a ban on tobacco advertising."

Source: ASH-UK, The Star, December 11, 2002

http://brownw.newsreal.com/pages/brownw/Story.nsp?story_id=35043982&ID=brownw&scategory=Tobacco&

"Tobacco company Gallaher Group said that 2002 sales have remained in line with management's expectations as it increased its UK market share and boosted its presence in Europe... Sales of all brands of cigarettes have declined by 2pc in Ireland this year due to health concerns and anti-smoking campaigns, according to the company. However, it claims that it has held 2002 sales "broadly level" with last year, helping it to increase its market share..."

Source: Gallaher sales in line with expectations. December 16, 2002

<http://www.online.ie/business/viewer.adp?article=1905468>

European Union

Stan Shatenstein posted a lengthy dossier on Globalink News & Information describing media accounts of how Philip Morris had worked with Laurentien Brinkhorst, currently the wife of Prince Constantijn, in order to gain better access to WHO and to the EU. For example, internal PM documents reveal that "in 1996 she developed an 'extremely profitable' contact for the company with a scientist of the WHO. The connection was so important that in 1998, a year after Ms. Brinkhorst had left her job at Philip Morris, the company still wanted to pay her \$10,000 to maintain the contact." She worked for PM from 1995 to 1997 and "actively worked in the company's lobbying campaign against publications about the dangers of second-hand smoking [including a revision of WHO's Air Quality Guidelines]. Ms. Brinkhorst's important connection was dr Michal Krzyzanowski at the European Center for Health and Environment, a WHO agency at that time located in Bilthoven." In Brussels she was also part of a campaign by the tobacco industry against another WHO-affiliate, the International Agency for Research on Cancer (IARC). "Brinkhorst's role in the IARC action plan focused on the political lobby. She had to find out which European politicians could be approached by tobacco. She also helped draft a list of journalists who were friendly to the tobacco industry. A Philip Morris document reveals the plan to invite those 'friendly journalists' to a company 'briefing' prior to the release of the IARC-study. In the company's campaign plan Brinkhorst played a crucial role in 'intelligence gathering' about the WHO-guideline. She knew her way around at the institutions in Brussels; her father Laurens Jan Brinkhorst had been the top bureaucrat at the European directorate-general for the environment for seven years."

Source: Stan Shatenstein. Philip Morris wanted to pay Laurentien Brinkhorst for her connections with the WHO - Trouw, November 30, 2002

http://www.trouw.nl/tr/bouma/English_voorpagina_Laurentien.doc

The connections of Laurentien - Trouw, November 30, 2002

http://www.trouw.nl/tr/bouma/English_verdieping_Laurentien.doc

Memo: From: Laurentien Brinkhorst: To: Jules Wilhelmus: WHO air quality guidelines - PMDocs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2505593348C/3349>

IARC Release Plan: Index - PM Docs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2048381563/1574>

Memo: From: Laurentien Brinkhorst: To: General List: WHO Air Quality Guidelines - PMDocs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2065285251/5255>

World Health Organization Air Quality Guidelines (November 1, 1995) - PMDocs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2065285267/5275>

PM USA 1999 OS Consultant Services: Functional Area "WSA-SIM" - PMDocs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2072597286/7289>

Justification for WSA-SIM Consultants - PMDocs

<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2074599058/9059>

There was vast coverage of the EU passage of tobacco control directive that includes an advertisement ban. The advertisement restrictions will take effect in 2005 and were approved by 13 of the 15 members. UK and Germany opposed, but for different reasons. Germany stated that the proposal went too far, and the UK that the proposal did not go far enough. The proposal does include a phase out of F1 sponsorship by July 2005 (as opposed to the FIA and UK 2006 deadline). The directive bans 'direct' tobacco advertising on radio, printed publications, internet and international sponsorship, and free sampling distribution. It doesn't ban ads in movie theaters, posters and billboards, and 'indirect advertising' - for example Camel boots, Marlboro Classics clothing, etc. Magazines published outside the EU and distributed in member states will not be affected by the proposed ban. "In October 2000, BAT, Gallaher, Imperial Tobacco and Rothmans (UK) Ltd. won an appeal in the European Court of Justice against an earlier ban. They argued that cigarette advertising is a health issue rather than a free-trade issue and should be determined by individual states, not the EU's executive arm." In Germany, the newspapers and magazine industries claimed that they will not be able to survive without cigarette

advertisement money. Volker Nickel, head of the German Advertising Federation (ZAW), says the ban could threaten up to 10,000 jobs. ... The German Union of Newspaper Publishers even went so far as to declare the ban a move against press freedom. [Note: Germany's Health Ministry issued statements that despite the country's position and plans to challenge the directive in the European Court of Justice, it was committed to smoking prevention among youth, a program that has been criticized due to its partnership with Philip Morris.] Several EU publishers expressed similar concerns, including Czech Republic publishers who were also concerned about alternative funding for sports sponsorships. "The allegations are a serious setback to Germany's record as a nation careful to regard the health of its citizens.

Sources: EU Health Ministers Pass Tobacco Advertising Ban - Reuters

<http://www.reuters.com/newsArticle.jhtml?type=worldNews&storyID=1834696>

EU Approves Ban on Tobacco Advertising - Newsday/AP

<http://www.newsday.com/business/investing/wire/sns-ap-eu-tobacco1202dec02.0.478504.story?>

L'Europe interdit parrainage et publicité de presse pour le tabac - AFP

<http://fr.news.yahoo.com/021202/202/2vivh.html>

EU widens tobacco ban - The Guardian, December 2, 2002

<http://media.guardian.co.uk/advertising/story/0,7492,852276,00.html>

EU adopts tobacco ad ban - BBC News, 2 December, 2002

<http://news.bbc.co.uk/1/hi/world/europe/2535071.stm>

La UE prohíbe anunciar tabaco en todos los medios y el patrocinio de grandes acontecimientos - El Mundo

<http://www.elmundo.es/elmundo/2002/12/02/sociedad/1038831459.html>

EU agrees to outlaw tobacco advertising - Financial Times, December 2, 2002

<http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1037872481948>

EU tobacco ad ban 'not tough enough' - The Guardian, December 3, 2002

<http://politics.guardian.co.uk/eu/story/0,9061,852452,00.html>

European newspapers slam EU tobacco advertising ban - Reuters, December 4, 2002

<http://www.alertnet.org/thenews/newsdesk/L03519758>

Germans Expect Layoffs in Wake of EU Tobacco Ruling - DW-World.de, December 4, 2002

http://dw-world.de/english/0,3367,1430_A_705657_1_A,00.html

Double-blow to tobacco: Byrne welcomes political agreement on cigarettes advertising ban and smoking prevention measures - Europa, 2 December 2002

http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/02/17880|RAPID&lg=EN;
http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/02/17880|RAPID&lg=FR&display=

L'Europe veut bannir toute publicité pour le tabac - Le Monde, 5 décembre 2002

<http://www.lemonde.fr/article/0,5987,3236--300774-,00.html>

A Lot of Smoke Over Germany's Soft Stance - DW-World.de, December 4, 2002

http://dw-world.de/english/0,3367,1448_A_489234,00.html

Health hazard for media industry - Frankfurter Allgemeine Zeitung, December 6, 2002

<http://www.faz.com/IN/INtemplates/eFAZ/docmain.asp?rub={B1311|FCC-FBFB-11D2-B228-00105A9CAF88}&doc={9836A136-7A24-4880-BD65-5DBB878346A9>

As reported by Stan Shatenstein on Globalink News & Information: "The European Union's highest court backed tough health warnings on tobacco products, including a ban on the terms "light" and "mild" on product packaging within the EU. [The court's ruling are due to take effect in September 2003, under which well-known brands such as Philip Morris Co.'s Marlboro Lights and Camel Lights, as well as European brands such as Austria's Milde Sorte and Portugal's Suave, will have to be renamed.] The ruling against cigarette firms Imperial Tobacco and British American Tobacco comes a week after a decision by health ministers to ban tobacco advertising on the radio, in newspapers and on the Internet... The law demands health warnings cover 30 percent of the front of cigarette packets and 40 percent of the back, which the court said were not excessive... New standards on the composition of cigarettes marketed within the EU, including limits on their levels of tar, nicotine and carbon monoxide, also will take effect from January 1, 2004 as part of the law. The court... said the law was valid because it was an attempt to harmonize standards within the EU." The tobacco companies "expressed their disappointment at the European Court of Justice's decision to uphold laws banning them from exporting products outside the EU which do not meet the EU's tar, nicotine and carbon monoxide ceilings... They said the Commission had no right to harmonise the laws of member states on health policy when there was no internal market need... "We undertook this action with extreme

reluctance and regrettably it has failed to deal with our concerns that the Directive is legally flawed and imposes unreasonable measures with no supporting evidence that they will be effective," said Imperial Tobacco Group's Public Relations Manager, Liz Buckingham. British American Tobacco PLC's corporate and regulatory affairs director, Michael Prideaux, said the European court's ruling had implications beyond the tobacco industry. "Today's Court decision has effectively extended yet again the powers of the Commission," he said referring to its support for the Commission's moves to harmonise on health matters... However, there was some relief from the two companies that the European Court had upheld their appeal that the EU had no right to restrict the use of labelling and product descriptions on products intended for export outside of the EU[i.e. they can still use the controversial 'light' and 'mild' names for exports outside the E.U.]. "Japan Tobacco, owner of the Mild Seven cigarette brand, said it would be particularly hit by [the] European court ruling... "It effectively seems to prevent us from marketing Mild Seven as a global brand," the firm's public relations vice president Guy Cote said in a statement. "Mild Seven is the only global brand that will be impacted in this way." Later in the month it was reported that "Japan Tobacco Inc. is mulling a new name for Mild Seven... Mild Seven is the world's number two cigarette brand after Philip Morris Co's Marlboro... U.S. tobacco companies haven't opposed the legislation because brand recognition means they can simply drop the "mild" or "light" from the names Marlboro and Camel... [JTI] now faces a rebranding nightmare. It could, like the US companies, simply drop the "mild" from its name, and just call its cigarettes Seven, but company officials say this isn't appealing. "It's like telling Coca Cola that they can't use the word Coca in the name," says Guy Cote, a spokesman for JT International SA. JTI and its lawyers are still studying the ruling and will know within days how the company will respond, he added. However, their legal options are limited. Japan Tobacco appealed the initial naming ruling to the EU's second highest court in September which was turned down, before then appealing to the E.U.'s highest court."

Sources: EU Court Backs Tough Warnings on Tobacco - Washington Post/Reuters

<http://www.reuters.com/newsArticle.jhtml?type=businessNews&storyID=1879693>

EU Court Upholds Ban on Cigarette Terms - Newsday/AP

<http://www.newsday.com/business/investing/wire/sns-ap-european-court->

ECJ tobacco ruling puts health before trade - ASH (UK)

<http://www.ash.org.uk/html/press/021210a.html>

L'UE peut décider des règles de fabrication des cigarettes - AFP

<http://fr.news.yahoo.com/021210/202/2vwrt.html>

The Court upholds the validity of the directive on the manufacture, presentation and sale of tobacco products - EU Curia

<http://curia.eu.int/en/cp/aff/cp0299en.htm>

<http://curia.eu.int/fr/cp/aff/cp0299fr.htm>

Tobacco companies disappointed by European Court ruling on tobacco exports - Ananova, December 10, 2002 http://www.ananova.com/business/story/sm_725176.html?menu=business.latestheadlines

Tobacco giants lose EU fight over labelling - The Guardian, December 11, 2002

http://www.guardian.co.uk/uk_news/story/0,3604,857523,00.html

Japan Tobacco says its brand hit hard by EU ban - Forbes.com/Reuters, December 11, 2002

<http://www.forbes.com/markets/newswire/2002/12/11/rtr820134.html>

Japan Tobacco Mulls Renaming 'Mild Seven' After EU Ruling - Dow Jones, December 11, 2002

http://biz.yahoo.com/djus/021211/1309000605_1.html

South-East Asia

Bangladesh

"British American Tobacco Bangladesh has been honoured by Bangladesh Scout Guide and Fellowship for its contribution in the past years for the scout and guides. Managing Director Stephen Daintith received the crest from chief guest of the ceremony Dr Khandakar Mosharraf Hossain, Minister Health and Family Welfare at the Scout Bhaban... On behalf of Bangladesh Scouts the organisers thanked Stephan Daintith for the contribution of [BAT-Bangladesh] for development of scouts and guides in Bangladesh. Managing Director Stephen Daintith emphasised that BAT is deeply committed to the development of the country and will nourish the company's core value: Success and Responsibility go Together through contributions in different sectors of country's socio economic development."

Source: BATB honoured by Bangladesh Scout

<http://independent-bangladesh.com/news/dec/23/23122002bs.htm#A6>

India

"Tobacco farmer association heads from Andhra and Karnataka are currently in Delhi to lobby with the Union government to keep their interests in mind while framing the proposed law to further discourage the sale of cigarettes and other tobacco-related products. India produces 200 million kg of tobacco in a year, a third of this from these two states. More than a tenth of the Central excise collection Rs 82 billion comes from tobacco products; four-fifths of this is from the sale of cigarettes. Which means that tobacco grower associations are also politically influential. Besides their own clout, the cash-deficit treasury would be concerned at any fall in revenue collection. Not to mention the millions whose earnings are dependent on tobacco... The farmers are also lobbying for cuts in taxes, citing the example of China, also a vast tobacco-consuming and growing country. They want a withdrawal of the 15 per cent special excise surcharge (for calamity relief), an appropriate duty structure and much tax relief on the product from the states. They also want "strong action" against smuggling in of cigarettes and no special measures against cigarettes alone in the proposed new law; they want it equally applicable to all tobacco products."

Source: Tobacco growers want a balanced anti-cigarette law, December 10, 2002

<http://timesofindia.indiatimes.com/cms.dll/xml/comp/articleshow?articid=30897589>

"Notwithstanding widespread drought, India's tobacco exports are likely to register a 10 per cent rise to 100 million kilograms this fiscal up from 90 million kgs in 2001-02. India is facing stiff competition from China and Brazil, it has also lost ground in its earlier stronghold of erstwhile Soviet Union and needs to further build up on its strengths, traders said here. "Despite scanty rainfall in July this year the crop was saved due to subsequent rains. This, coupled with price stability and good quality tobacco will spur exports to 100 million kgs," Chief Executive, ITC's Indian Leaf Tobacco Development Division, S Janardhan Reddy said. He said exports could have been higher due to the fall in Zimbabwean crop to 60 million kgs from 200 million kgs. However, this has been more than made up by other African countries like Tanzania, Mozambique and Uganda."

Source: Tobacco exports to rise 10 pc in 2002-03. December 15, 2002

<http://timesofindia.indiatimes.com/cms.dll/xml/comp/articleshow?articid=31365196>

Western Pacific

Australia

"The US Government suspects Nick Cannar, lawyer and tobacco supremo, is expert at getting rid of documents the cigarette companies would rather forget existed. The Sydney-based former chief counsel of BAT, said to be central to a global document-shredding policy, is now being summonsed by the US Government in a multi-billion-dollar case... Lawyers for the US Government filed a 500-page summons in the NSW Supreme Court for Mr Cannar, now CEO of Imperial Tobacco Australia, to appear in court. The US Health Department is suing BAT and others in a Columbia court for the costs of treating tobacco-related illnesses. Justice Eames found that under the policy dating back to 1985, lawyers for BAT, including Mr Cannar, were instructed to destroy documents, making it appear like a corporate spring clean rather than a reaction to litigation... Mr Cannar moved to Australia in 1994, where in 1998 he asked solicitors Mallesons and Clayton Utz to destroy documents from previous litigation, but to do so outside the BAT legal department. As CEO of Imperial Tobacco, he oversees a company whose Horizon cigarettes hold a 13.3 per cent market share... Mr Cannar said he had not been informed of the US Government's action. "I have not seen any documents, I cannot comment on that," he said. "That's compounded by the fact that as I was employed by BAT, I have obligations of privilege and confidentiality."

Sources: Tobacco lawyer accused of document-shredding - The Australian, December 3, 2002

http://www.theaustralian.news.com.au/common/story_page/0,5744,5603310%5E2702,00.html

US sues tobacco firms - The Australian

http://www.theaustralian.news.com.au/common/story_page/0,5744,5603083%255E401,00.html

New South Wales Supreme Court <http://www.lawlink.nsw.gov.au/sc/sc.nsf/pages/index>

Another news that received widespread media coverage was the reversal of the Australian case – McCabe – where the plaintiff, a woman with lung cancer now deceased, won against BAT when the judge found that the cigarette company erred by destroying documents that could be beneficial to plaintiffs. BAT appealed. "The Court of Appeal sitting in Melbourne today said British American Tobacco (BAT) had succeeded on all the issues argued in its appeal against the pay-out. The court

overturned a judgment in Mrs McCabe's favor made by the Victorian Supreme Court and ordered a retrial... It also exonerated Clayton Utz, the Sydney law firm representing BAT, saying there was no evidence it had devised a strategy for the destruction of the potentially incriminating documents. This is despite the fact that, in August, David Schechter, a former legal counsel to the US arm of BAT admitted under oath that the purpose of the company's so-called 'document retention' policy was to ensure that documents would not fall into the hands of plaintiffs, the public or the media.... BAT's corporate director, John Galligan, said the company was pleased with the decision as it had always maintained that its defence should not have been struck out. "We hope this decision allows us to put forth our side of the story and repair the damage [to our reputation]."

The family of cancer victim Rolah McCabe will be forced to pay back the A\$700,000 she received in compensation after a crushing legal defeat.... Lawyers for BAT asked the court to include interest and court costs in the pay-back..." [which will amount to millions of dollars] Responding to criticisms that the children of Ms. McCabe did not have funds to pay interests and legal fees, BAT declared that Ms. McCabe's lawyers should then pay, generating another series of media stories and accusations between BAT and Slater & Gordon, the McCabe law firm. "BAT Australasia's John Galligan said. "They should put up their hand and say, 'We believe in the best interests of our clients and ensure they will not be penalised for the legal strategy we embarked upon'... Despite damage to the company's reputation, Mr Galligan said the multinational stood by its decision to pursue costs ... [and that] pursuing costs was an issue of fairness. "Should people have a free hit just because we are a tobacco company?" he said. 'We are trying to repair the damage and restore credibility but it's not just about reputation -- it's about what's fair'."

[Despite the appeal ruling, there continues to be evidence in the industry documents about tobacco companies "document retention"

policies:<http://www.pmdocs.com/getallimg.asp?if=avpidx&DOCID=2070478711/8715>

Sources: Smoking compo overturned. December 06, 2002

http://www.news.com.au/common/story_page/0,4057,5627714%255E1702,00.html

Supreme Court of Victoria - Court of Appeal. British American Tobacco Australia Services Limited v Cowell (as representing the estate of Rolah Ann McCabe, deceased) [2002] VSCA 197 (6 December 2002)

<http://www.austlii.edu.au/au/cases/vic/VSCA/2002/197.html>

Victory for BAT in Australian cancer case - Financial Times, December 6, 2002

<http://news.ft.com/servlet/ContentServer?pagename=FT.com/StoryFT/FullStory&c=StoryFT&cid=1037872614851&p=1012571727108>

BAT wins appeal against Australian damages - Reuters

<http://www.reuters.co.uk/newsArticle.jhtml?type=searchNews&storyID=1861246>

British American Tobacco wins appeal against dead smoker - Ananova, December 6, 2002

http://www.ananova.com/news/story/sm_722698.html?menu=news.latestheadlines

BAT Press release: McCabe Appeal: a decision for fairness - BAT Australia. 6 December 2002; John Galligan, Corporate & Regulatory Affairs Director

<http://www.bata.com.au/MediaRelease.asp?MID=48>

Sons continue mum's battle - Melbourne Herald Sun, 8 December 2002

http://www.heraldsun.news.com.au/common/story_page/0,5478,5635804%5E661,00.html

Don't make them pay - The (Melbourne) Herald Sun, December 10, 2002

http://news.com.au/common/story_page/0,4057,5645976%255E661,00.html

Cancer victim's family refunds tobacco giant - Sydney Morning Herald/AAP

December 9 2002 <http://www.smh.com.au/articles/2002/12/09/1039379775812.html>

Analysis of the Court of Appeal's Decision - VicHealth Centre for Tobacco Control

http://www.vctc.org.au/tc-res/mccabe_appeal_analysis.pdf

Summary Analysis of the Court of Appeal's Decision - VCTC

http://www.vctc.org.au/tc-res/mccabe_appeal_summary.pdf

Law firm blamed in fallout - The (Melbourne) Herald Sun, December 11, 2002

http://www.heraldsun.news.com.au/common/story_page/0,5478,5653997%255E2862,00.html

Lawyers may sue smoke giant - The (Melbourne) Herald Sun. December 12, 2002

http://www.news.com.au/common/story_page/0,4057,5662559%255E2862,00.html

Indonesia

"Indonesian cigarette makers' purchases of tax stamps fell 55 percent in November from the previous month, when they surged in advance of a tax increase... Every pack of cigarettes sold in Indonesia needs a tax stamp, which is valid for two months from the date of purchase. Cigarette producers buy

tax stamps based on their expected sales and the number of stamps they already hold. Gudang Garam, the country's biggest cigarette maker bought stamps for 4 billion cigarettes last month, 39 percent fewer than in October. Sampoerna, the second largest, bought tax stamps for 2.87 billion cigarettes in November, 43 percent fewer than in October..."

Source: Indonesia Cigarette Makers' Tax Stamp Purchases Fall 55% in Nov. December 27, 2002
http://quote.bloomberg.com/fcggi.cgi?T=marketsquote99_relnews.ht&s=APgvmqhXUSW5kb25l

Korea

"Korea Tobacco & Ginseng Corp., a government monopoly, decided in a special general shareholders' meeting to change its official company name into KT&G, written only in English. The firm also decided to raise the limit stock ownership in the firm for foreign shareholders, over the current 49 percent. The company owns the largest 34.2 percent stake, followed by 27.4 percent by foreign investors and 7.4 percent by Daehan Investment Trust & Securities, and 6.5 percent by the firm's employees."

Source: Tobacco & Ginseng Changes Company Name
<http://english.chosun.com/v21data/html/news/200212/200212270010.html>

Malaysia

"British American Tobacco (Malaysia) has disposed of the assets and liabilities of the business relating to the Alfred Dunhill of London luxury products franchise to Richemont Luxury (Malaysia) for RM3.44 million cash. The disposal follows the non-renewal of its franchise agreement that expired on Sept 30 with Richemont Luxury Asia Pacific Ltd, in compliance with the International Tobacco Product Marketing Standards (ITPMS) that came into force on Sept 11 [and] sets out the minimum standards for the marketing of tobacco products, restricts the use of tobacco brand name in advertising or sponsorship activities... The activities are the operation of Alfred Dunhill of London luxury products outlets in Malaysia and the marketing, promotion and retail sale of the luxury products through the outlets... Richemont Malaysia's ultimate holding company is Switzerland-incorporated Compagnie Financiere Richemont AG. The Richemont group enjoys an international reputation for the sale and marketing of a wide range of luxury merchandise. Richemont AG owns a 21 per cent stake in British American Tobacco plc, which holds an indirect stake of 50 per cent in BAT."

Source: BAT sells assets, liabilities on Alfred Dunhill luxury products franchise - The Edge Daily, December 11, 2002 <http://www.theedge.com.my/article.cfm?id=17871>

[BAT] has been named the best-managed company in Malaysia for the 3rd consecutive year in Asiamoney's annual best managed companies poll this year... This year, the best managed companies poll was faxed to nearly 3,000 fund managers, chief investment officers and heads of research at fund management firms, insurance companies and brokerage houses in the Asia Pacific region including Australia and Japan, Europe and the US. A total of 245 replies from 187 institutions were received.

Source: BAT named best-managed company in M'sia for 3rd time
<http://biz.thestar.com.my/news/story.asp?file=/2002/12/14/business/cgasia&sec=business>

[BAT] "expects to increase spending on advertising and promotion after the latest standards and guidelines governing the marketing of tobacco products are implemented. The new set of marketing standards, agreed upon last year by the world's three biggest tobacco companies [BAT, Philip Morris and Japan Tobacco International] would be implemented worldwide. Since these standards will effectively cut down opportunities available for mass advertising, BAT expects to invest "substantial amounts" on advertising in certain key sectors such as in its point-of-sale (POS) promotions, through one-to-one communications with loyal consumers or simply a higher level of personal contact with consumers, says BAT corporate and regulatory affairs director Sharifah Rozita Syed Sulaiman."

Source: The Star, December 21, 2002

The Philippines

"Three television commercials with the message that minors can be cool without smoking have begun airing on local TV networks. Originally aired on a regional basis via MTV-Asia Channel, the Youth Smoking Prevention (YSP) commercials are now being carried over local terrestrial TV and cable channel through the efforts of Phillip Morris Philippines Inc.... "The aim of the campaign is to promote and contribute to an environment where minors are less likely to smoke by featuring aspirational,

nonsmoking role models that they can relate to and with whom they can identify with," said Dave Gomez, PMPH Public Affairs and Communications manager... "As a manufacturer and marketer of tobacco products, we have a responsibility to society to help in addressing this important issue," Gomez said.

Source: Phillip Morris launches ad telling minors not to smoke. December 16, 2002
http://www.abs-cbnnews.com/abs_news_body.asp?section=Metro&oid=11312

Vietnam

Similar to the strategy in The Philippines, in Vietnam, Philip Morris begun to air its Youth Smoking Prevention ads on TV.

Source: Viet Nam News, December 19, 2002
<http://vietnamnews.vnagency.com.vn/2002-12/18/Socio-Culture.htm#Anti-tobacco%20ad%20targets%20kids>
[For material to counter such efforts, see: <http://www.ash.org.uk/?youth>]

Worldwide

The Tobacco Reporter provided an account of the CORESTA meeting held in New Orleans, USA in September 2002. [CORESTA is an industry organization that assist ion the development of research that is frequently used by the industry in its attempt to undermine tobacco control efforts.] According to the report, the meeting "was a success" and had 459 delegates from 46 countries and 122 presentations were given. Risk reduction was featured prominently in the congress' agenda with three speakers in a plenary titled 'Cigarette Risk and the Potential for Risk Reduction.' The presentations were: Toxic Chemicals in Cigarette Mainstream Smoke—Hazard and Hoopla, by Charles Green and Alan Rodgman, "providing extensive information about the composition of smoke and also placing in their proper perspective many inconsistencies in the demands exerted on the industry in the name of public health"; Lung Cancer Risk as a Function of Cigarette Design: Filtration, Blend and Yield by Sam Simmons, "showing the evolution of epidemiologic data in time and its relationship with changes in cigarette design"; and Less Hazardous Cigarettes: the Dawn of a New Era in the History of Tobacco by Gio Gori, urging the industry to engage actively in the marketing of cigarettes, that, thanks to progress made in design, may be considered less hazardous. He felt that governments were under an obligation to be supportive of such work. The Reporter describes several other sessions held by CORESTA's subgroups and tasks forces, mainly in the area of toxicology, exposure biomarkers, "product evaluation", behavioral testing (i.e. smoking behavior) and more importantly, how CORESTA is developing new testing methods of tobacco products. [CORESTA develops testing methods that are later incorporated by testing agencies worldwide.] Two new task forces were announced: "one on nicotine intake, and the other on in vitro toxicology testing of tobacco smoke". Some task forces were disbanded after accomplishing its objectives. Noteworthy is the end of the ETs Task force. As described in the article: "The subgroup was set up in 1987 to determine standard methods to measure ETS, which is a collective term for all of the byproducts of cigarette smoke... Measuring ETS is especially difficult because it is an extremely dilute and complex mixture that is continually changing. However, Coresta's subgroup on ETS took on the challenge of developing standard methods of measurements... The subgroup successfully produced several studies on ventilation and completed a vast survey on restaurants. The group also produced three Coresta Recommended Methods: No. 50, Environmental Tobacco Smoke—Determination of nicotine and 3-ethenylpyridine in the vapor phase; No. 51, Environmental Tobacco Smoke—Estimation of its contribution to respirable suspended particles, determination of particulate matter by ultraviolet absorbance and by fluorescence; and No. 52, Environmental Tobacco Smoke—Estimation of its contribution to respirable suspended particles, method based on solanesol determination. The publication of the three methods marked the end of its working program."It is now expected that these methods will be submitted to ISO for approval as an international measurement method.]

Source: Turbulent Gathering - Tobacco Reporter. November 2002
<http://www.tobaccoreporter.com/current/story1.asp>

"British American Tobacco Plc, the world's second-largest tobacco company, rose as much as 4.3 percent buoyed by investor speculation cigarette companies' profits won't be hurt if economic growth slows."

Source: Bloomberg News. December 10, 2002
http://quote.bloomberg.com/fgcgi.cgi?T=marketsquote99_relnews.ht&s=APFYGOBTROkFUIFNo

In the wake of the EU directive banning tobacco advertisement and sponsorship, including F1 as early as 2005, FIA (the motorsport governing body) had several meetings and are threatening to eliminate all races in the EU. FIA had agreed to a self-imposed ban on tobacco sponsorship in Formula One from 2006. David Richards, team principal of the BAR-Honda squad which has received over £90m backing from British American Tobacco since 1999, said: "If the EU sticks to its position there is a very strong chance we will end up with most of the formula one series taking place outside Europe." There are currently eight races within the European Union...The Philip Morris Marlboro brand heads the list with its investment of about £45m a year in Ferrari..."With Bahrain and China scheduled to hold races in 2004 and interest from both Morocco and South Africa, [and Turkey, Russia, Dubai, Lebanon and Egypt] plus the possibility of a second race in the USA, we certainly seem on course to move more fixtures out of Europe," said another team principal. (The difficulty would be for many of those countries to build a circuit that would meet FIA's stringent safety requirements by 2005)"That will allow the tobacco companies to transmit their branding back into the EU via the formula one television coverage." In a letter to the EU Health Commissioner, David Byrne, FIA stated that the decision would force the sport away from the EU. FIA alleges that some contracts run until 2006 and could not be broken. BAT's deputy chairman Kenneth Clarke [said] "The tobacco ban will damage the sport," who added that BAR's finances are fine for the time being. "It's already become more difficult to get other sponsors." BAT has used Formula One to market its Lucky Strike and 555 cigarette brands. Nonetheless, some analysts believe that FIA is just using the EU ban as an excuse to drop some European circuits and expand to markets elsewhere, where the sport still has a growing potential, such as China and the Middle East.

Sources: F1 considers tobacco ban U-turn - Anaova, December 11, 2002

http://www.ananova.com/sport/story/sm_726655.html?menu=sport.latestheadlines

Formula One Drops Belgian GP for 2004 - New York Times/AP. December 11, 2002

<http://www.nytimes.com/aponline/sports/AP-CAR-F1-Belgian-GP.html>

European grands prix may go up in smoke - The Guardian. December 13, 2002

<http://sport.guardian.co.uk/formulaone/story/0,10069,859194,00.html>

Sporting Life, December 13, 2002

http://www.sportinglife.com/formula1/news/story_get.dor?STORY_NAME=others/02/12/13/AUTO_Tobacco.html

EU decision 'may drive sport out of Europe' - The Times, December 14, 2002

<http://www.timesonline.co.uk/article/0,,4-512719,00.html>

Mosley on attack over tobacco ban - The Independent

<http://www.independent.co.uk/story.jsp?story=361389>

Formula One: The race to ban tobacco ads - IHT, December 27, 2002

"Nearly 15 years after a landmark Japanese study linked secondhand smoke to cancer [the 1981 Hirayama study], a second study appeared and said the original findings were wrong. [1995, in International Archives of Occupational and Environmental Health] Now, a California professor claims the rebuttal study failed to acknowledge the heavy behind-the-scenes influence of the tobacco industry in its production. While the new report doesn't directly challenge the results of the second smoking study, it does cast doubt on whether its creators were honest about their roles [as the study failed to acknowledge the involvement of a tobacco industry scientist, a tobacco industry law firm and two Japanese researchers]... However, a tobacco company spokesman defends the study that challenged the link between secondhand smoke and cancer, saying it clearly stated it was supported by tobacco industry funds... The R.J. Reynolds Tobacco Co., the second largest in the United States, was one of those that contributed money to the 1995 study. In a written statement, company spokesman Seth Moskowitz says the research "very clearly" noted the tobacco industry's involvement. "I don't know who said what to whom. But I do know that, in our opinion, the Hirayama study was seriously flawed," Moskowitz says. Philip Morris, which also funded the 1995 study, has a policy that its involvement in tobacco studies -- whether direct or indirect -- should be disclosed, says spokesman Brendan McCormick. As for the risks of secondhand smoke, "we think the public should rely on what the public health community has to say," he adds." Philip Morris said the documents used in the BMJ article were genuine but said it had been engaged in a legitimate scientific exercise to test the Hirayama study. A spokesman said: "This was a valid exercise at the time." A BAT spokesperson said it had made public its role in the study. "The published report stated unequivocally that there had been financial support from tobacco companies."

Sources: Big Tobacco Accused of Manipulating Study - HealthScoutNews, December 13, 2002

http://story.news.yahoo.com/news?tmpl=story&u=/hsn/20021214/hl_hsn/big_tobacco_accused_of_manipulating_study
Health study 'discredited by secret tobacco plot'. December 13, 2002
<http://news.independent.co.uk/uk/health/story.jsp?story=361095>

Notes: More details on most of the news reported here found at: <http://www.tobacco.org/>
Globalink News & Information Archives: <http://member.globalink.org/news>

For tobacco companies press releases and statements, including the voluntary marketing code, search the companies' websites and related-sites. For example:

R.J. Reynolds: <http://www.rjrt.com/TI/Pages/TIcover.asp>

Philip Morris: <http://www.philipmorrisusa.com/>

Japan Tobacco International: <http://www.jti.com>

British-American Tobacco: <http://www.bat.com/>

Imperial Tobacco: www.imperialtobacco.com

<http://www.tobaccojournal.com/>

<http://www.tobaccoreporter.com/>

For additional information on tobacco industry's strategy regarding marketing, opposition to advertisement bans and development of voluntary advertisement codes; utilization of voluntary codes to oppose smoking restrictions; youth campaigns; utilization of hospitality industry and ventilation as a [false] "solution" to smoking bans, search the tobacco industry documents sites, mainly Philip Morris site, and other sites containing industry documents:

www.pindocs.com (with links to other companies sites)

<http://www.hlth.gov.bc.ca/guildford/index.html>

<http://www.neth.ca/Guildford.nsf>

<http://www.library.ucsf.edu/>

<http://legacy.library.ucsf.edu/>

<http://www.tobaccodocuments.org/>

Additional material discussing industry's strategies related to the above can be found at:

<http://www.ash.org.uk/>

<http://www.no-smoke.org>

<http://www.nsra-adnf.ca/>

<http://www.cdc.gov/tobacco/sitemap.htm>

<http://tobacco.who.int/>

<http://tobaccofreekids.org/>

● **The cigarette “transit” road to
the Islamic Republic of Iran
and Iraq**

**Illicit tobacco trade in the
Middle East**



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Important note

In January 2002, the Government of the Islamic Republic of Iran and WHO/EMRO jointly released *Coveting Iran*, the first inquiry on the activities of the tobacco industry in the Islamic Republic of Iran, after which the Iranian government took major steps to combat this serious problem. It is hoped that this report will contribute to the continuing efforts of the Government of the Islamic Republic of Iran towards this end.

Tobacco Free Initiative/EMRO acknowledges the efforts of Luk Joossens in writing and finalizing this report.

EXECUTIVE SUMMARY

- The issue of cigarette smuggling is now high on the agenda of governments and international organizations. It has been estimated that a third of internationally exported cigarettes are lost to smuggling. Total revenue lost by governments due to cigarette smuggling is estimated at US\$ 25–30 000 million annually.
- Studies of the impact of smuggling show that when smuggled cigarettes account for a high percentage of the total sold, the average price for all cigarettes, taxed and untaxed, will fall, increasing sales of cigarettes overall.
- The cigarette companies often blame organized crime for the massive amount of cigarette smuggling worldwide, but much of the organized criminal smuggling that accounts for the vast majority of cigarette smuggling worldwide has occurred with the knowledge of the major cigarette companies themselves, and would not occur without the cigarette companies' compliance.
- In the Middle East, the two main target markets for international tobacco companies are the Islamic Republic of Iran and Iraq. Both the Islamic Republic of Iran and Iraq represent huge possibilities for international cigarette companies. Indeed, tobacco trade journals, internal tobacco industry documents and documents filed in legal actions make the importance placed on both countries by the entire tobacco industry very clear.
- According to trade journals, Cyprus is an important distribution point for American cigarettes going to the Islamic Republic of Iran through traders in Oman. At the same time, some of these cigarettes are sold to traders in Turkey who take them into Iraq. Beirut's imported cigarettes are distributed to traders and merchants in various countries in the Middle East and North Africa. It appears that the major customers for cigarettes distributed from Lebanon are the Islamic Republic of Iran and Iraq. From Beirut to Dubai or Oman and then on to the Islamic Republic of Iran is the path of some of the American cigarettes destined for Lebanon. Trucks now carry cargo through the Syrian Arab Republic to reach the open-air markets in Iraq.
- In their legal action against several international tobacco companies, the European Union (EU) filed in January 2002 documents on cigarette smuggling into Iraq showing that since the early 1990s, American tobacco companies have distributed their products from the United States into Iraq. For example, cigarettes produced in the United States have been shipped to and through ports in the EU to companies in Cyprus for years. Indeed, since 1996, approximately 50 billion cigarettes have been sent by RJ Reynolds Tobacco Company (RJR) (and its successor, Japan Tobacco) to Cyprus. Approximately half of these shipments were exported from Cyprus to Turkey in transit. Many of these shipments were destined for Iraq.
- On 30 October 2002, the EU and ten Member States launched another lawsuit against RJR. The new EU lawsuit goes far beyond any previous allegations, accusing RJR of direct complicity in facilitating not only money laundering schemes but also other

criminal enterprises. Allegations on cigarette smuggling into Iraq were even more detailed.

- The EU allegations on smuggling in Iraq are in line with the well known methods of the cigarette smuggling scheme:
 - Exports of billion of cigarettes from major tobacco manufacturers.
 - Complex transport routes in order to complicate investigations.
 - Off-loading and re-loading of containers and removing marks and numbers from products to prevent their being traced.
 - Frequently switched bank accounts to cover up actions.
 - Operations led from Switzerland, a country protected by bank secrecy and business privacy laws.
 - Offshore companies located in Liechtenstein.
 - Use of tax-free harbours such as Mersin in Turkey.
- Internal tobacco industry documents describe in great detail the monitoring of smuggling operations and the illegal character of the transit (smuggling) trade in Lebanon and the Syrian Arab Republic. Several documents stipulate that it is unwise for the tobacco companies to have direct links with the transit trade.
- The objective of each company is to sell more products and make higher profits. Penetrating new markets and increasing the market share of its products is part of the strategy to achieve this objective. An obstacle for multinational tobacco companies are trade restrictions and/or embargoes. Some markets are closed to foreign companies or allow imported cigarettes only under certain strict conditions. Where there are high tariffs or a state monopoly, international cigarettes will be smuggled into the country, weakening the position of the state monopoly and delivering the market into the hands of the multinationals.
- While illegal imports may be an option in order to penetrate a market, the ultimate goal in the long term is to obtain official imports or production. The strategy of the international tobacco companies in the Islamic Republic of Iran became a success story in 2002, when the state tobacco authority signed an import and production deal with four cigarette companies in a bid to cut down cigarette smuggling. It is a clear example of how successful this strategy of international tobacco companies can be. The stages of the strategy are:
 1. Penetrate the market through illegal imports.

2. Weaken the state monopoly by reducing the market share of domestic brands and legal sales.
 3. Convince the authorities to privatize or to open the market.
 4. Authorize the legal import and/or production of foreign brands.
 5. Stop fuelling the illegal market and take over the market in a legal way.
- If tobacco smuggling is to be tackled successfully it will require international collaboration. The likeliest mechanism for achieving this is the WHO Framework Convention on Tobacco Control (FCTC). In the text of the FCTC, article 15 deals with illicit trade of tobacco products, including markings, monitoring, data collection, cooperation, penalties, confiscation and licensing.
 - Manufacturers should be required to have covert and overt markings on all packages of tobacco products that would identify manufacturer, date and location of manufacture, and another identifier that would show the chain of custody—wholesaler, exporter, distributor and end market. The onus should be placed on the manufacturer (through record keeping, and tracing and tracking systems) to prove that the cigarettes that leave the factory arrive in their intended end market.
 - The way to combat smuggling is not to reduce taxes, but rather to control the supply of illegal cigarettes.



1. INTRODUCTION

The tobacco industry have argued that tobacco smuggling is caused by market forces, through the price differences between countries, which create an incentive to smuggle cigarettes from “cheaper” to “more expensive” countries. They have urged governments to solve the problem by reducing taxes, which will also, they say, restore revenue. The facts contradict these assertions. In fact, smuggling is more prevalent in “cheaper” countries, and where taxes have been reduced (in Canada and Sweden for example) consumption has risen and revenue has fallen.¹ However the new WHO Framework Convention may at last promote control of tobacco smuggling at the level at which it must be tackled—globally.

Tobacco smuggling has become a critical public health issue. It affects public health by bringing tobacco onto markets cheaply, making cigarettes more affordable and thus stimulating consumption, thereby increasing the burden of ill health caused by its use. It is not a small phenomenon. It is estimated that globally, one-third of legal cigarette exports disappear into the contraband market. This is an extraordinary proportion, resulting in the second key effect of smuggling: the loss of thousands of millions of dollars of revenue to government treasuries. Total lost revenue by governments due to cigarette smuggling is estimated at US\$ 25–30 000 million annually.²

Cigarette smuggling occurs in all parts of the world, even in regions where taxes are low. One internal document of the British American Tobacco (BAT) company³ estimated that 324 billion, or nearly 6% of world cigarette sales of 5400 billion, were duty not paid (DNP) cigarettes, an industry term for contraband (see below). Eastern Europe and the Asia-Pacific region account for the majority of this at about 85 billion each, though Western Europe was also significant at about 50 billion. In relation to total market sales, DNP volumes are largest in Eastern Europe (around 13%), and Africa and the Middle East (around 12%), but are also significant in Latin America (around 9%) and Western Europe (around 7%). Western Europe has the highest prices in the world, four to five times higher in 1996 than in Africa, the Middle East or Eastern Europe. However, despite these high prices, smuggling is on average lower than in other regions of the world. In other words, cigarette smuggling is not principally caused by “market forces”. It is supply driven, caused mainly by fraud through the illegal evasion of taxes.

Yet the tobacco industry has lobbied governments to reduce tobacco tax, arguing that to do so will solve the smuggling problem and increase government revenues. This is not true. When the Canadian government reduced cigarette tax in response to industry pressure the results were disastrous. The real significance of tobacco smuggling is that it not only makes tobacco available cheaply, it also sabotages national tobacco taxation and tobacco control strategies.

2. KEY ELEMENTS OF SMUGGLING

There are two main types of smuggling: bootlegging and large-scale organized smuggling. Their main differences can be summarized in the following way.

The term “bootlegging” was used in the nineteenth century to refer to the smugglers’ practice of hiding bottles in their boots.⁴ We use the term to describe the smuggling activities of individuals who illegally import small quantities of products. It involves, for instance, the purchase of cigarettes and other tobacco products in low tax jurisdictions in amounts that exceed the limits set by customs regulations for resale in high tax jurisdictions. In general, bootlegging involves transporting cigarettes over relatively short distances (for example, between neighbouring countries and other nearby jurisdictions). As with legal activities, significant price differentials between jurisdictions create incentives for bootlegging.

Bootlegging is a problem in some regions of the world, but huge price differences between neighbouring countries are uncommon and the market share of bootlegged tobacco products is much smaller than the market share of large-scale smuggled tobacco.

Large-scale organized smuggling (or container smuggling), in contrast, involves the illegal transportation, distribution, and sale of large consignments of cigarettes and other tobacco products, generally avoiding all taxes. This type of smuggling usually involves millions of cigarettes, smuggled over long distances.

Large-scale smuggling is encouraged by the presence of criminal organizations and is a relatively sophisticated system for distributing smuggled cigarettes at local level. It is hugely aided by the lack of control of the international movement of tax-free cigarettes. This large-scale organized smuggling is the major problem and is not caused by differences in the price of tobacco products. Significant sums of money are involved. Large-scale smugglers transport containers of 10 million cigarettes. A container of 10 million cigarettes can be bought without taxes “in transit” for US\$ 200 000, but has a current fiscal value (import taxes, excise duties and VAT) that is three to ten times higher. Large-scale smugglers operate in all parts of the world, as the container transport costs are small compared to the market value of their goods.

The most common way to buy tax-free cigarettes is to buy cigarettes under the “in transit” regime. Transit is a concession system aimed at facilitating trade. Its essence is to allow the temporary suspension of customs duties, excise and VAT payable on goods originating from and/or destined for a third country while under transport across a defined customs area. However, many containers disappear during their international transport and never arrive at their final destination.

The key points about container fraud are that it is highly organized and that the cigarettes are supplied to the illegal market by the tobacco manufacturers through (legal) exports to countries where they have no market. They are transported from these countries (often by circuitous and complex routes) into the target contraband market to be sold illegally, at half to one-third of the legal price. They can be sold on the illegal market without taxes. These fraudulent transactions typically involve several separate buyers between the initial first buyer and their disappearance from legitimate circulation.

Smuggling, therefore, mainly involves cigarettes that are duty suspended under the transit regime and that disappear during their international transport. Most of these cigarettes

are classified in world trade statistics as missing. It has been estimated that a third of internationally exported cigarettes are lost to smuggling (see Table 1).

The different steps of the smuggling scheme are:

- Manufacturing at one of the (often international) tobacco companies
- Legal export of one or more consignments to a trader who is not located in the final country of destination and who buys the cigarettes without taxes under the “duty suspended” transit regime.
- Playing hide-and-seek with the customs authorities: exporting and importing the containers in different locations around the world during a short period of time. The object of these operations is to make the final owner untraceable, and to make the links between successive owners as obscure as possible.⁵ Payments often have to be made in cash or from well-known tax havens and countries favouring bank secrecy.
- Transfer from the legal transit regime to the illegal circuit in a location known for its lack of surveillance. Containers with cigarettes are off-loaded and re-loaded onto other containers with a cover load. Typically the cigarette cartons are buried underneath other products (for example, paper towels, shoes, furniture, clothes, pizzas), and the containers are officially as being full of “pizzas”.
- Illegal transport of the cover loaded cigarettes to the intended contraband market.
- Illegal selling through a sophisticated distribution network in the intended contraband market.

Table 1. World cigarette imports and exports (billion pieces)

Year	Imports	Exports
1990	418	543
1992	568	804
1994	886	1156
1996	607	1047
1997	603	1069
1998	610	1031
1999	583	886
2000	618	907
2001	622	898
2002 (estimate)	624	929

Source: United States Department of Agriculture, September 2002

3. THE ROLE OF THE INDUSTRY

According to the World Bank report, *Curbing the epidemic: governments and the economics of tobacco control*,⁶ economy theory suggests that the industry itself will benefit from the existence of smuggling. Studies of the impact of smuggling show that when smuggled cigarettes account for a high percentage of the total sold, the average price for all cigarettes, taxed and untaxed, will fall, increasing sales of cigarettes overall.

Despite its professed opposition to criminal activity, the tobacco industry benefits from smuggling in several ways:

- Smuggling stimulates consumption both directly (through the street sale of cheap cigarettes) and indirectly (through pressure to lower or keep down taxes);
- The threat of smuggling has been used to avoid trade barriers or force open new markets.

The cigarette companies often blame organized crime for the massive amount of cigarette smuggling worldwide, but much of the organized criminal smuggling that accounts for the vast majority of cigarette smuggling worldwide has occurred with the knowledge of the major cigarette companies themselves, and would not occur without their compliance. These facts have been established largely through previously secret, internal cigarette company documents, which have become available through various lawsuits against the companies. The documents describe extensive knowledge, oversight, and support of smuggling by the transnational cigarette companies in numerous countries. However, only a small portion of the smuggling-related documents uncovered to date have appeared in the press or elsewhere.⁷

Additional documents in the tobacco lawsuit document depositories that chronicle the companies' involvement in international cigarette smuggling may yet be discovered—and others may currently exist only in the files of the cigarette companies, if the companies have not already destroyed them. Cigarette company documents do not use the term “smuggling”, but instead use euphemisms or code words for the activities whose meaning is clear. Where the paper record of cigarette company knowledge and participation in cigarette smuggling has been uncovered, cigarette company euphemisms or code words for smuggling are the norm.⁸

Two common euphemisms are: *duty not paid* (DNP) and *transit*. Here are a few examples:

- ‘With regard to the definition of transit it is essentially the illegal import of brands from Hong Kong, Singapore, Japan, etc., upon which no duty has been paid. To my understanding this is most prevalent in the south of Taiwan. . .’⁹
- ‘Contraband is 9% of the Argentine cigarette market and 46% of the Market in the NEA [North-East Argentina] DNP [duty not paid] cigarettes are a fact of life and almost institutionalized.’¹⁰

- ‘[The DNP market] is the volume of cigarettes produced in Venezuela, exported (mainly to Aruba) and re-entering Venezuela as transit plus transit cigarettes produced elsewhere (mainly Ecuador and Brazil).’¹¹

In a 1993 document, a British American Tobacco (BAT) employee provides a list of questions and answers on overseas trade:

- Question 10: What is transit trade?
Transit trade is the movement of goods from one country to another without the payment of taxes and tariffs. It is more commonly known as smuggling.
- Question 11: Are you aware of cigarette smuggling?
Yes, smuggling of popular goods which attract high taxes has been ongoing for centuries. Cigarettes, like alcohol are smuggled into many parts of the world.
- Question 12: Is BATco a willing party in smuggling activity?
No. We do not condone smuggling. Because of excessive taxation and trade restrictions/embargoes smuggling is inevitable.
- Question 14: Where is smuggling most prevalent?
Far East, Latin America, Central and Eastern Europe and Africa.¹²

The link between the transit trade and smuggling is clear in this document: transit is another word for smuggling. According to this document, smuggling is “caused” by high taxes, but surprisingly seems to be more prominent in low tax regions.

4. CIGARETTE SMUGGLING IN THE MIDDLE EAST

In the Middle East, the two main target markets for international tobacco companies are the Islamic Republic of Iran and Iraq:

The Middle East Cluster consists of 12 countries with a total population of 145 million at rates in excess of 3% per annum. Five countries viz Iran, Iraq, KSA (Kingdom of Saudi Arabia), Syria and Yemen account for 90% of the population. . . . The total cigarette market is estimated at 108 billion cigarettes. This could be under estimated by 15–20 billion, mainly in Iran and Iraq where information (as in Yemen) is poor. 49% of the volume is in Iran (26%), Iraq (15%) and Yemen (8%) which have been neglected by us in the past, and where we are our share is either insignificant (Iran and Iraq) or zero (Yemen).¹³

Both the Islamic Republic of Iran and Iraq represent huge possibilities for international cigarette companies. Indeed, many of the tobacco industry’s once secret internal documents—documents obtained from court proceedings in the United States—make the importance placed on the Islamic Republic of Iran by the entire tobacco industry very clear.¹⁴

Several reasons for the interest in the Islamic Republic of Iran apply to all the major tobacco companies: (1) a large population; (2) rising living standards; (3) moderate cigarette consumption levels leaving room for growth; and (4) a worldwide trend towards a diminished role for state tobacco monopolies. Moreover, the Islamic Republic of Iran is conveniently located, wedged between the tobacco industry’s established smuggling centres in the Middle East and the burgeoning tobacco markets in the subcontinent and the former Soviet Union. The documents suggest that the multinational tobacco companies saw the Islamic Republic of

Iran not only as a market, but also as a conduit for the supply of contraband cigarettes to other countries.¹⁵

Overall, the tobacco industry's documents suggest that the Islamic Republic of Iran was viewed by the global cigarette companies as a battlefield where the national tobacco monopoly could be duped, government officials could be misled, and the physical health of Iranians could be sacrificed for the financial health of the companies' shareholders.¹⁶

The attractiveness of the Islamic Republic of Iran is underlined by a recent article in a tobacco trade journal: 'Iran is the largest consumer in the Middle East and this includes significant cigarette consumption. An estimated 45 billion units are sold each year and consumption is growing at an annual rate of 1 percent.'¹⁷

Iraq is another attractive market for tobacco companies. In a 1990 BAT document, the Iraqi market was described in the following way:

Subsequent to the lifting of trade sanctions, every effort will be made to tap this large and predominantly Virginia market (30+ bns total market which is undersupplied by at least 5 bns per year) with our international brands — firstly Benson & Hedges, subject to maximum assurance that stock will not be redirected.¹⁸

British brands were already present in Iraq twenty years ago:

Iraqi smokers developed a fondness for British cigarettes some decades ago. During the early 1980's the United Kingdom was an important supplier of Iraqi cigarette imports. British cigarette exports to Iraq average \$48 mn during 1979-81, and \$37 mn annually during 1982-84.¹⁹

Cigarettes from the USA, Germany and Greece found their way to the illegal markets in the Islamic Republic of Iran and Iraq. Internal tobacco documents, tobacco trade journals and current lawsuits describe the transit routes used.

4.1 Tobacco trade journals

Both Cyprus and Lebanon have been important importers of American cigarettes (Table 2).

Table 2. American exports of cigarettes to Cyprus and Lebanon (million cigarettes)

Year	Lebanon	Cyprus
1995	10 098	7473
1996	11 713	9488
1997	10 938	9949
1998	10 938	5321
1999	5736	6164
2000	4227	6920
2001	5717	4453

Source: United States Department of Agriculture

In tobacco trade journals, it was acknowledged that the final destinations of these cigarettes are not Cyprus or Lebanon, but rather the Islamic Republic of Iran and Iraq: 'Cyprus is an important distribution point for US cigarettes going to Iran through traders in Oman. At the same time, some of these cigarettes are sold to traders in Turkey who take them into Iraq.'²⁰ And:

Beirut's imported cigarettes are distributed to traders and merchants in various countries in the Middle East and North Africa. . . . It appears that the major customers for cigarettes distributed from Lebanon are Iran and Iraq. . . . From Beirut to Dubai or Oman and then to Iran is the path of some of the US cigarettes destined for Lebanon. Trucks now carry cargo through Syria to reach the open air markets in Iraq, like the elaborate facility in Mosul.²¹

Not only American companies are exporting to Cyprus: the British tobacco industry has considerably increased its exports to Cyprus from 89 million cigarettes in 1996 to 5404 million in 2000.²²

Finally, the Greek cigarette industry has also been exporting more and more to the Middle East during recent years, as outlined in Table 3 and the following quotes. Multinationals such as Philip Morris (PM), BAT and JT International (JTI) account for around half of Greek cigarette output.

Table 3. Cigarette exports from Greece to Turkey, Cyprus and Jordan in 1999 and 2000 (tonnes)²³

Country	1999	2000
Turkey	1720	4144
Cyprus	1338	2608
Jordan	2198	2041

Many Greek cigarettes purchased by Turkish transit traders are delivered to customers in the Middle East countries. Trucks moving through the Silopi Pass into Iraq probably transport over a third of the Greek cigarettes shipped to Turkey. . . . Iran is another large market for Greek cigarettes. Traders in Turkey, Cyprus, and some other countries deliver cigarettes to many small traders from Iran.²⁵

Turkey has been a leading source of cigarettes and other goods imported into Iraq. . . . Cigarettes from Greek factories (including some major American brand names) have taken up the slack left by a lack of US made cigarettes entering Iraq in the last two years. . . . Many of the cigarettes delivered by trucks passing through Silopi Pass from Turkey into Iraq are exchanged for diesel purchased in Iraq. Iraq obtains cigarettes from distributors in Cyprus, United Arab Emirates, Oman, Russian Federation and Europe, but Turkey appears to be the major transit route.²⁶

In 2001, local cigarette production in Iraq was estimated at 5700 million cigarettes and imports at 10 700 million cigarettes (Table 4). The source of the imported cigarettes was Greece (3200 million), Turkey (2900 million), Jordan (1100 million), Cyprus (700 million) and other transit (2800 million).²⁷

Table 4. Iraq: estimated source of imported cigarettes by quantity during 1990–2001 (million pieces)²⁸

Year	Turkey	Greece	Cyprus	Jordan transit	Other transit	Total transit
1990	400	170	200	2300	980	4050
1991	600	300	220	1100	950	3170
1992	500	430	290	900	700	2820
1993	900	370	340	660	500	2770
1994	1100	350	400	500	675	3025
1995	1250	300	660	600	500	3310
1996	1300	450	780	800	400	3730
1997	1600	500	800	700	700	4300
1998	2000	800	970	900	1800	6470
1999	2500	1200	1100	1300	2600	8700
2000	2800	2095	1200	1200	3600	10 895
2001	2900	3200	700	1100	2800	10 700

4.2 Lawsuits

In their legal action against several international tobacco companies the EU filed in the United States District Court, Eastern District of New York, in January 2002 documents on cigarette smuggling into Iraq:

Since the early 1990s, United States tobacco companies have distributed their products from the United States through the European Community and into Iraq. For example, cigarettes produced in the United States have been shipped to and through ports in the European Community, including Valencia, Spain, to companies in Cyprus, including Audeh Trading for years. Indeed, since 1996, approximately 5 000 000 master cases (50 billion cigarettes) have been sent by RJR (and its successor, Japan Tobacco) to Cyprus (Audeh Trading/ICBS). Approximately one-half of such shipments were exported from Cyprus to Mersin, Turkey in transit. For many years, RJ Reynolds Tobacco International SA (Geneva) provided consignments to Cypriot companies, often for massive amounts of Winston brand cigarettes. Part of the scheme was to falsely declare that the shipments were destined for export (i.e., to “Russia”) when, in fact, the products were destined for countries outside of Cyprus and Russia (i.e., Iraq). It is hard to exaggerate the scope of the scheme inasmuch as since August 1999 — during a time when both RJR and Japan Tobacco had responsibility for management or oversight of the operations — approximately 570 000 master cases (or 5.7 billion cigarettes) were distributed through Cyprus. Substantial percentage of those cigarettes was delivered to and through ports in the European Community, including Valencia, Spain. As shown below, many of these shipments were destined for Iraq.

RJR and Japan Tobacco International S.A. distributed hundreds of container loads of cigarettes from Puerto Rico, to Valencia, Spain, to Limassol, Cyprus, to Beirut, Lebanon, to Mersin, Turkey, which products were then offloaded onto trucks and shipped overland to the Habur border crossing, and sold into Iraq. This scheme has been in place since at least August 1999, at a time when RJR managed operations for Japan Tobacco under contract. As one example of this scheme, the accompanying proffer shows how RJR/Japan Tobacco manufactures products in the United States and ships them to Spain, and then to Cyprus, for ultimate delivery into Iraq.

The steps of this scheme may be summarized as follows:

1. Japan Tobacco, located in Puerto Rico and acting under license of RJR, shipped containers of Winston brand cigarettes from the United States to Valencia, Spain by cargo ship.
2. In Spain, the containers were off-loaded and later re-loaded onto a second vessel using the Spanish port facilities. From Spain, the containers were shipped to Cyprus.
3. In Cyprus, the containers were unpacked and the Winston brand cigarettes were reloaded into new containers, bearing different markings
4. Subsequently, the containers containing the Winston brand cigarettes were exported from Cyprus, with "Russia" as the declared country of final destination.
5. The five forty-foot containers with the Winston brand cigarettes (packed with 5,340 master cases) were shipped to Lebanon and then to Turkey.
6. Those five containers were then shipped overland through Turkey to the Habur border crossing and into Iraq."²⁹

The EU allegations on smuggling into Iraq attracted wide media coverage as they concerned billions of cigarettes, exported by an American company to a country under embargo and considered by the United States government to be their enemy number one. The lawsuit led to the following editorial in *The Washington Post*:

Organizations that violate US sanctions on Iraq cannot usually expect sympathy from the Bush administration. Nor can groups that collude with Russian mobsters or Colombian drug gangs. If the allegations recently filed by 10 European governments in a New York district court have merit, R.J. Reynolds Tobacco Holdings Inc. (RJR) has run a smuggling conspiracy involving all three offences. Even so, the Bush administration persists in siding with RJR and the other cigarette giants in international tobacco-control negotiations convened by the World Health Organization.³⁰

In a front-page article of the leading United States financial newspaper, *The Wall Street Journal*, the EU complaint was described as follows:

RJR-brand cigarette sales into Iraq dramatically increased from 1997 to 2001, with many of the cigarettes manufactured in Puerto Rico, according to people familiar with the EU's investigation. The paperwork accompanying some of those shipments states: "United States law prohibits distribution of these commodities to North Korea, Vietnam, Iraq or Cuba unless otherwise authorized by the United States." In recent months, Japan Tobacco for the first time sought and received U.N. permission to sell cigarettes in Iraq. These sales aren't subject to United States law, because the company closed its only plant on United States soil, which was located in Puerto Rico; Japan Tobacco's cigarettes bound for Iraq are now made in Europe. These cigarettes still flow to Kurdish-controlled Northern Iraq. However, at this point their final destination is murky. It now appears that many of them are smuggled to the Islamic Republic of Iran, which some traders consider a more lucrative market than Baghdad. Every day, young Kurds bearing large canvas backpacks stuffed with cartons of cigarettes make daily climbs along the mountainous routes into the Islamic Republic of Iran. "It is constant, non stop," says one Kurdish businessman who witnessed waves of backpackers smuggling Winstons last month, adding that they're paid about \$10 per trip. According to UN records, Japan Tobacco got approval to sell 401 000 master cases of Winston, Magna and Winchester — more than five billion cigarettes — to Kani, the Kurdish tobacco monopoly, via Mr. Audeh and a Turkish distributor. The KDP spokesman called the amount requested by Japan Tobacco "huge" and far more than the 3.7 million Kurds possibly could smoke. "You'd have to find babies in their cradles smoking," he says. Asked for his view of where the cigarettes might be ending up, Guy Cote, Japan Tobacco's spokesman in Geneva, says: "I don't have a clue."³¹

On 30 October 2002 the EU and ten Member States launched another lawsuit against RJR. The new EU lawsuit goes far beyond any previous allegations, accusing RJR of direct complicity in facilitating not only money laundering schemes but also other criminal enterprises. Allegations on cigarette smuggling into Iraq were even more detailed, as illustrated in these extracts:

Throughout the 1990s, the RJR DEFENDANTS committed an array of crimes, including money laundering, by selling United States-made cigarettes into Iraq in violation of United States law. The means by which this money-laundering operation was conducted include the following: The RJR DEFENDANTS maintained a long-term relationship with an individual known as Issa Audeh. Issa Audeh had previously been an employee of R.J.REYNOLDS TOBACCO INTERNATIONAL, INC. In the 1980s, Audeh served as Regional Director, Middle East/Near East Region for RJR. Around the late 1980s or early 1990s, Issa Audeh set up a group of companies located in Cyprus, including Audeh Trading and Consultancy Service and IBCS Trading and Distribution Company Limited ("IBCS"). . . .

In late 1989 or early 1990, the RJR DEFENDANTS and Issa Audeh entered into an agreement with an individual known as Abdel Hamid Damirji for the purpose of distributing RJR products in Iraq. Through his Liechtenstein corporation, Tradinter Middle East Development Establishment, Abdel Damirji worked with the RJR DEFENDANTS and Issa Audeh to establish RJR products and the RJR product name in Iraq. In the fall of 1990 after the Iraqi invasion of Kuwait, Abdel Damirji transferred his cigarette sales operations to Jordan with the approval of the RJR DEFENDANTS for the purpose of supplying the Iraqi market with RJR cigarettes from Amman. The RJR DEFENDANTS, through their officer or employee, Edward Touma, as part of RJR's "Special Markets-Middle East-Near East" division, in written and/or telephonic communications with Abdel Damirji, arranged a procedure by which Abdel Damirji would purchase RJR cigarettes from RJR through Issa Audeh in Cyprus. At times when Abdel Damirji needed more RJR cigarettes than could be supplied through Issa Audeh's companies, Abdel Damirji obtained his RJR cigarettes directly from RJR. For example, in June 1991, the RJR DEFENDANTS sold and delivered directly to Abdel Damirji seven full air-cargo shipments consisting of approximately 17 000 master cases of RJR cigarettes. (There are 10 000 cigarettes in a master case.) Between March 1991 and September 1992, Abdel Damirji purchased at least six hundred thousand master cases of cigarettes, either directly from RJR or from Issa Audeh. . . .

Between 1993 and 1995, the aforesaid agreement remained in place and Abdel Damirji acted as the exclusive distributor of RJR products in Iraq. During this period, hundreds of millions of dollars of RJR cigarettes were purchased by Abdel Damirji from the RJR DEFENDANTS and were sold and distributed in Iraq.³²

The EU allegations on smuggling in Iraq are in line with the well-known methods of the cigarette smuggling scheme:

- Exports of billion of cigarettes from major tobacco manufacturers.
- Complex transport routes in order to complicate investigations.
- Off-loading and re-loading of containers and removing marks and numbers from products to prevent their being traced.
- Frequently switched bank accounts to cover up actions.

- Operations led from Switzerland, a country protected by bank secrecy and business privacy laws.
- Offshore companies located in Liechtenstein.
- Use of tax-free harbours such as Mersin in Turkey.

In the EU lawsuit against RJR, the main motive behind smuggling—“the race for market share”—is explained in the beginning of the filed documents:

Throughout the 1990s and continuing to the present day, the RJR DEFENDANTS have undertaken extensive efforts to increase their market share and to expand the sales of their products throughout the world.

To accomplish this end, the RJR DEFENDANTS have actively engaged in the sale of their products to criminals and/or criminal organizations, which can purchase goods with their criminal proceeds only if the payments for those goods are made covertly so as to avoid detection by law enforcement. . . . The RJR DEFENDANTS have controlled, directed, encouraged, supported, and facilitated the activities of the criminals who purchase their products. The RJR DEFENDANTS have collaborated with criminals, directly and indirectly, and have sold cigarettes to persons and entities that they know or had reason to know were laundering criminal proceeds through the purchase of cigarettes.

By engaging in this illegal conduct the RJR DEFENDANTS have achieved multiple benefits for themselves, including but not limited to the following:

- (a) The RJR DEFENDANTS have increased their cigarette sales because they have new and additional customers, namely, the money-launderers and the criminal organizations they service.
- (b) The RJR DEFENDANTS have increased their profit margins because they require the criminals to pay a premium for their cigarettes and/or subject the criminals to sales and credit terms that are more favourable to the RJR DEFENDANTS than those granted to legitimate customers.
- (c) The RJR DEFENDANTS have increased their market share by adding to their customer base to the detriment of their competitors.
- (d) The RJR DEFENDANTS have enhanced the market value of their tobacco operations, while decreasing the market value of their competitors' operations.³³

The tobacco industry has always claimed that high taxes are the main cause of smuggling. However, as the trade journal *Tobacco International* observes in its article on Iraq: ‘No taxes are levied on cigarettes in Iraq. Government income from petroleum revenues tends to limit efforts to collect taxes from the ways some countries do.’³⁴ Smuggling in Iraq is not caused by high taxes, but by the competition of tobacco companies to increase the market share of their international cigarette brands.

RJR and JTI are not the only companies that have been accused of smuggling into Iraq. Almost a thousand police and customs agents raided the Hamburg offices of the German tobacco company, Reemtsma Tobacco, on 14 January 2003 on suspicions that the German cigarette manufacturer, which is owned by Imperial Tobacco Group, channelled cigarettes onto the black market and breached the UN trade embargo on Iraq.

Investigations have been opened into at least one board member and several other senior executives. The primary suspicion, outlined in a statement from the prosecutor's office in Essen, is that Reemtsma Tobacco transferred millions of untaxed cigarettes from German ports to third countries and then allowed them to be smuggled back into Germany. One of the destinations was Iraq. The company is being investigated not only for money laundering and tax evasion but also for sanctions busting.³⁵

4.3 Tobacco industry internal documents

Tobacco industry internal documents also describe Cyprus as the traditional transit point for cigarettes into the Middle East. Documents obtained by the Center for Public Integrity show that as early as 1976, BAT's American subsidiary Brown & Williamson employed the services of Kental Traders Ltd. of Cyprus to handle DNP or "transit" cigarettes into Ethiopia, Jordan, Somalia, Sudan, Syrian Arab Republic, Turkey and Yemen with hope of opening routes into the Islamic Republic of Iran and Iraq.³⁶

BAT and Brown & Williamson's long-term involvement in what their own documents indicate was an illegal business became evident when two separate quarrels arose in 1983 involving Kental Traders Ltd. and rival tobacco agents fighting over the smuggling trade in Lebanon.³⁷

The first quarrel was over 2970 cases of BAT cigarettes smuggled into Lebanon by Kental Traders Ltd. BAT had contracted with Kental Traders Ltd. to pay a Lebanese trader named Souren Khanamirian US\$ 2 for every case of cigarettes smuggled into Lebanon. At the time, Khanamirian was a board member of The Regie, Lebanon's government-controlled tobacco monopoly. Documents obtained by the Center for Public Integrity show that Khanamirian complained in 1983 to BAT that he had not received his commission on the shipment. BAT settled the matter in March 1983 by paying the commission from its own accounts directly to Khanamirian. BAT then billed Kental Traders Ltd. for reimbursement. The BAT document notes that Khanamirian was paid a commission for 'transit deliveries that go to Lebanon.'³⁸

The second quarrel broke out in 1984 in the midst of the Lebanese civil war when Brown & Williamson's official agent in Lebanon, Albert Abela, was found to be selling DNP cigarettes in Lebanon and Syria.³⁹

Concerned that Abela was selling DNP cigarettes in his own territory, Kental Traders Ltd. wrote to Brown & Williamson that:

. . . your Lebanese agent should not be involved directly or indirectly because by participating in the transit business, which is unlawful and a criminal offence in Lebanon, when the time of normalization will come, both Abela and Brown and Williamson might have catastrophic repercussions and of course being black-listed.

This is the reason why Philip Morris, RJ Reynolds and other companies never involved their Lebanese agents directly or indirectly in the transit business.⁴⁰

This letter is interesting as it implies that the traders know that the transit business is illegal and that it is not wise to have direct links between the transit trade and the tobacco companies. In internal correspondence of Brown & Williamson between WL Telling and RJ Pritchard concerning the Abela case, Telling would defend the same ideas:

The region is also concerned that Brown & Williamson is at considerable risk by selling to an official agent in Lebanon, who is directly involved in DNP ex-Cyprus. Brown & Williamson is the only major cigarettes manufacture who is in this position and could be prohibited from doing business in Lebanon if Syria or the fundamentalist Moslems gain control of the Government and effective work with the Regie to reduce transit.⁴¹

Brown & Williamson was monitoring the transit operations in Lebanon very closely: 'cigarettes supplied to Kental and Pelligrini [the organization of Abela] are separately coded and consequently identifiable when found in markets other than intended by Brown & Williamson.' And decided: 'The Lebanese transit market is insufficient to support the activities of two transit agents.'⁴²

Monitoring of the transit trade by tracing identifiable codes on the packs in specific markets was not unusual, even if it was recognized in a BAT letter that 'wholesalers are very wary when it comes to illegal stocks and therefore I cannot confirm or otherwise whether this code is actually available with the wholesalers.'⁴³

In other correspondence, the delicate characteristic of the "transit" and DNP trade in Lebanon is also stressed. In internal correspondence of Brown & Williamson between WL Telling and JR Anders, the following comment is made:

We received warnings from the Regie at least twice a year regarding DNP stock. With the thousands of cases of L&M, Chesterfield and other brands being sold through DNP into Lebanon, I would be surprised if two containers of KDL (Kent de Luxe) provoked the latest Regie warning sent to manufacturers.⁴⁴

Smuggling into the Syrian Arab Republic seems to occur through Lebanon, mostly from Cyprus, as explained in a note of Kental Traders Ltd: 'So in 1976 we brought to Cyprus from Lebanon and Syria the professionals in the transit business and we organized a very well studied plan to cover the whole territory of Lebanon and also the penetration into Syria.' Total sales out of Cyprus to Lebanon/Syrian Arab Republic from all tobacco companies in the period 1976 to June 1984 was estimated at 38.6 billion cigarettes (of which 27 billion were from Philip Morris, 4.4 billion were from RJR and 5.2 billion were from Brown & Williamson).⁴⁵

In a document from Emil Schildt (the BAT transit coordinator located in Hamburg) on the company World Wide Corporation/ Charles Hadkinson, it is noted that:

CH (Charles Hadkinson) stated the destination for the 1st 17 MIO. BHSF (Benson & Hedges Special Filter) to be Syria. As it is known Syria has a Tobacco Regie and no financial possibilities to import cigarettes officially. Although CH confirmed to be able to bring the cigarettes illegally into the Syrian market, i.e. via Lattakia/Syria, this is definitively impossible. The only way in this case would have been possible via Lebanon.⁴⁶

Both the possible and impossible illegal routes to the Syrian Arab Republic were described in the internal BAT documents.

5. A MARKETING STRATEGY DILEMMA: LEGAL OR ILLEGAL IMPORTS?

The objective of each company is to sell more products and to make higher profits. Penetrating new markets and increasing the market share of its products is part of the strategy to achieve this objective. An obstacle for multinational tobacco companies is trade restrictions and/or embargoes. Some markets are closed to foreign companies or allow imported cigarettes only under certain strict conditions. Legal imports may, for instance, only be authorized after the payment of high import tariffs or through expensive licensing schemes, which could result in legally imported products that are non-competitive. The avoidance of import restrictions may result in high smuggling rates. Tobacco companies consider that these smuggling rates are beyond their control as they are "not responsible for policing borders". In cases of high tariffs or a state monopoly, international cigarettes will be smuggled into the country, weakening the position of the state monopoly and delivering the market into the hands of the multinationals. The choice between using legal or illegal imports to penetrate a specific market is often discussed in the internal tobacco industry documents.

In a document of the Sorepex Company (a company with whom BAT has a close relationship in Africa) to BAT, two possibilities for the transit trade in Chad are discussed: either transit trade with a legal licence, which would make the price of the cigarettes non-competitive, or transit trade without licence, which would mean an illegal transfer of money.⁴⁷

In a BAT report on the status in Viet Nam, the advantages of legal and illegal imports are described in the following way:

Cigarette imports were banned 6 years ago. Smuggled sales into Vietnam are currently estimated at approximately 7 billion p.a. . . .

SE [State Express] 555 is the major smuggled brand and there is no doubt it has a tremendous image and sales potential in the country. BAT has resisted to manufacture 555 in Vietnam due both to concerns about the ability to sell the brand as a locally manufactured product and to the possible impact of a licence outside Vietnam. However Vinataba [the Vietnamese state tobacco company] sees a licence of 555 as an attractive opportunity for the JV [joint venture] and believe that BAT's opposition to a licence is simply "to protect the smuggling" trade.⁴⁸

In a BAT document which estimated the total cigarette market in the Middle East at 108 billion cigarettes, it was also recognized that:

Iran, Iraq, Syria and Lebanon have a Government monopoly on cigarette manufacturing and in Syria and Lebanon on imports as well . . . Lebanon permits free imports. Syria allows limited quantities whilst there is a complete ban in Iran. Despite this, or because of this, 62% of Iran's market is Transit.⁴⁹

Restrictions or bans on imports represent obstacles to the conquer of specific markets. In the minutes of a BAT "transit meeting" held on the 16 March 1987, the different options for the trade in the Middle East were discussed: either legally (and pay the import licenses) or

illegally (through “transit”). For Sudan the request for legitimate import could be turned down:

. . . because it was very unlikely that Kental's [which is the company with whom BAT collaborates in Cyprus] customers would obtain import licenses. . . . If there are opportunities for transit to Iraq these should be taken up. If there are opportunities for transit to Iran these should be taken up. Jordan — opportunities for legal imports to be fully investigated before we seek transit opportunities.⁵⁰

A central person at this transit meeting was Emil Schildt. Emil Schildt was appointed by BAT in 1972 as their transit-coordinator and has offices in Hamburg. The company was well aware that transit trade was “delicate” business:

The German BAT insisted that ES [Emil Schildt] should not establish his office in the BAT-Hamburg-Building . . . One of the main reasons for establishing this office independent from a BAT company was, that due to the delicate business the customers could visit Hamburg-office without involving a BAT company directly.⁵¹

The main problem for international tobacco companies was how to do deal with trade restrictions: illegal imports were one option, but more collaboration with the state monopolies was another. While you may start illegally in the short term, the ultimate aim to do legal business in the long term.

One BAT document explained that the key issue for BAT was ‘to improve penetration of the key opportunity such as Iran and Iraq by building up the duty free business initially and subsequently through joint ventures, licensing etc.’⁵²

In its *Iran Business Plan 1992–94*, BAT noted:

On the 18th February 1991, the Supreme Economic Committee of Iran announced the liberalisation of the Iranian Market for direct imports of cigarettes and tobacco, thus breaking the monopoly of ITC (Iran Tobacco Company). However, little progress has been made to date.

All imported product enters the market via Dubai to the southern ports of Iran or through Turkey ex Cyprus. From there it is transported by bus or truck to large secure warehouses on the outskirts of major cities. As this activity is considered smuggling little is known of distribution thereafter, however, all brands, notably Winston and Marlboro, are clearly visible at point of sale.⁵³

An additional problem for BAT was the strong presence of RJR in the illegal market in the Islamic Republic of Iran. This presence of (illegal) Winston in the Islamic Republic of Iran was well-known. A 1991 Reuters report noted:

An official of the state tobacco company said last year Iranian's smoked 30 billion cigarettes a year — divided about equally between domestic production, government imports and illegal imports mostly smuggled in across the Gulf. Despite occasional crackdowns, smuggled Winston are sold on every corner.⁵⁴

In 1994, RJR would estimate the illegal or tax-free market share in the Islamic Republic of Iran at 68% and the RJR market share (mainly with Winston and Magna) at 50%.⁵⁵

In its 1994 business plan, RJR discussed the respective merits of both the tax-free smuggling option and legal direct import as tactics to conquer the Iranian market:

Tax free:

- volatile due to loss in purchase power, currency devaluation and strong ITC (Iranian Tobacco Company)/ government clamp down
- Channels Gulf (South) Mersin (North New).

Direct Winston Importation:

- now only possible through ITC,
- order confirmed 1 BN for 1994,
- involves lower margins and higher finance risk⁵⁶

Both options were also discussed for the Syrian Arab Republic in the RJR business plan:

Syria:

- Significant under supply by local production (35%). Large Tax Free business and direct imports recommenced in August 1993.
- RJR/JTI elected to go direct rather than Tax Free and currently represent 52% of direct segment.
- Viewed as being good guys and well positioned to benefit from changes in Government attitude to boosting local production through outside partners⁵⁷

In the Syrian Arab Republic, RJR took the "legal" option as the best way to please the government. In the Islamic Republic of Iran, RJR was also promoting in its objectives and strategies "local cooperation" with ITC:

RJR needs to invest and become exclusive foreign/joint venture partner for ITC in Rash and possibly in Tehran /Hashtgrad facilities:

- To influence ITC's market control plans from within.
- To avoid PMI and Marlboro displacing RJR and Winston.⁵⁸

Illegal imports may be an option in order to penetrate a market, but the ultimate goal in the long term should be official imports or production.

The strategy of the international tobacco companies in the Islamic Republic of Iran became a success story in 2002, when the state tobacco authority signed an import and production deal with four cigarette companies in a bid to cut down cigarette smuggling.⁵⁹ The deal was strongly welcomed by the trade journal *Tobacco Reporter*: 'Under the contracts, each company is allowed to legally import its products into Iran's strictly controlled tobacco market. BAT and JTI have also granted permission to produce their products in Iran. *Local production is the golden key for multinationals* [emphasis added].'⁶⁰

It is a clear example of how successful the strategy of international tobacco companies can be. The stages of the strategy are:

1. Penetrate the market through illegal imports.

2. Weaken the state monopoly by reducing the market share of domestic brands and legal sales.
3. Convince the authorities to privatize or open the market.
4. Authorize the legal import and/or production of foreign brands.
5. Stop fuelling the illegal market and take over the market in a legal way.

The consequences of privatization may be far reaching. Reviews of privatized industries find that privatization leads to improved productivity and efficiency, which usually also implies an increase of production. But if increased production by cigarette producers is accompanied by higher consumption, this will have a negative impact on public health. To counter the potential negative effects of privatization, De Beyer and Yurekli of the World Bank made a plea for the introduction of a regulatory framework to correct the worst market failures by including measures to adequately inform citizens of the health risks of tobacco use, protect non-smokers from exposure to second-hand smoke in public places and introduce a comprehensive ban on all tobacco product marketing and promotion.⁶¹

6. SOLUTIONS

There is no legal obligation for tobacco companies to inform authorities of the final destination of their products. The line of the multinationals is that they sell their products legally to transit traders and that their responsibility ends there. The concern for the authorities is that annually 300 to 400 billion cigarettes disappear during their international transport and that measures should be taken to ensure that cigarettes arrive at their intended destination. The tobacco industry has been accused of exporting to entities or destinations where they know that legitimate demand for their cigarettes cannot possibly account for the orders made and the massive quantities delivered.⁶² In the Middle East, billions of cigarettes have been exported to Cyprus and Lebanon that were in fact destined for the illegal market in Iraq and the Islamic Republic of Iran. As part of a strategy to prevent disappearance during international transport, tobacco companies should be obliged to determine the final destination of their products at the time of manufacture and to supply their products only where there is legitimate demand for the product in the intended final market.

Given this interpretation of the problem, we believe the essence of the government's response should be to create a liability regime in which the manufacturer is made responsible for the safe transport of the cigarettes that leave the factory gate. This could be achieved, in principle, by making them show where all the cigarettes end up. This could happen if the measures proposed below were adopted. It is important to place the responsibility on the tobacco manufacturers. The evidence for their role in smuggling is so compelling that the onus should be placed firmly on them to demonstrate correct behaviour. It should be their responsibility to *prove* that their cigarettes have reached the intended legitimate end markets.⁶³

This reversal of the burden of proof is important. Among other things, it means that traditional relationships, especially that between customs departments and industries, have to be questioned when the product concerned is tobacco. Tobacco is a special case and must be treated as a special case. It is hard to imagine any other consumer product being allowed to evade tax on such a scale—one third of global exports finding their way to the contraband market.

Manufacturers should be required to have covert and overt markings on all packages of tobacco products, which would identify the manufacturer, and date and location of manufacture, and another identifier, which would show the chain of custody—wholesaler, exporter, distributor and end market. The onus should be placed on the manufacturer (through record keeping, and tracing and tracking systems) to prove that the cigarettes that leave the factory arrive in their intended end market. Manufacturers should know in advance to which country they export their cigarettes. Most countries have country specific health warnings and/or tax stamps or markings. These can only be printed or attached at the place of manufacturing. Manufacturers exporting their products should provide information on the country for which the cigarettes are finally destined, provide evidence that there is a market for these products in that specific country, have prominent markings on the products which show the destination country, provide the list of all intermediate traders and have covert markings which should contain this intermediate trader information.

If tobacco smuggling is to be tackled successfully it will require international collaboration and the likeliest mechanism for achieving this is the WHO Framework Convention on Tobacco Control (FCTC). In the text of the FCTC, article 15 deals with illicit trade of tobacco products, such as markings, monitoring, data collection, cooperation, penalties, confiscation and licensing. According to the Framework Convention Alliance (FCA) which comprises 180 nongovernmental organizations from more than 70 countries, the text of article 15 contains potentially strong commitments, but of a very general nature. The development of a protocol would make these commitments specific, meaningful and compatible between countries. A protocol could specify the minimum controls applied, the documentation to be used and address the question of mutual assistance and cooperation between Parties in action against the illicit tobacco trade. Negotiations for a protocol should start without delay.⁶⁴

Annex 1

ARTICLE 15 OF THE WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL, ADOPTED WITH RESOLUTION WHA 56.1, 21 MAY 2003

Part IV: Measures relating to the reduction of the supply of tobacco

Article 15

Illicit trade in tobacco products

1. The Parties recognize that the elimination of all forms of illicit trade in tobacco products, including smuggling, illicit manufacturing and counterfeiting, and the development and implementation of related national law, in addition to subregional, regional and global agreements, are essential components of tobacco control.

2. Each Party shall adopt and implement effective legislative, executive, administrative or other measures to ensure that all unit packets and packages of tobacco products and any outside packaging of such products are marked to assist Parties in determining the origin of tobacco products, and in accordance with national law and relevant bilateral or multilateral agreements, assist Parties in determining the point of diversion and monitor, document and control the movement of tobacco products and their legal status. In addition, each Party shall:

(a) require that unit packets and packages of tobacco products for retail and wholesale use that are sold on its domestic market carry the statement: "*Sales only allowed in (insert name of the country, subnational, regional or federal unit)*" or carry any other effective marking indicating the final destination or which would assist authorities in determining whether the product is legally for sale on the domestic market; and

(b) consider, as appropriate, developing a practical tracking and tracing regime that would further secure the distribution system and assist in the investigation of illicit trade.

3. Each Party shall require that the packaging information or marking specified in paragraph 2 of this Article shall be presented in legible form and/or appear in its principal language or languages.

4. With a view to eliminating illicit trade in tobacco products, each Party shall:

(a) monitor and collect data on cross-border trade in tobacco products, including illicit trade, and exchange information among customs, tax and other authorities, as appropriate, and in accordance with national law and relevant applicable bilateral or multilateral agreements;

(b) enact or strengthen legislation, with appropriate penalties and remedies, against illicit trade in tobacco products, including counterfeit and contraband cigarettes;

(c) take appropriate steps to ensure that all confiscated manufacturing equipment, counterfeit and contraband cigarettes and other tobacco products are destroyed, using environmentally-friendly methods where feasible, or disposed of in accordance with national law;

(d) adopt and implement measures to monitor, document and control the storage and distribution of tobacco products held or moving under suspension of taxes or duties within its jurisdiction; and

(e) adopt measures as appropriate to enable the confiscation of proceeds derived from the illicit trade in tobacco products.

5. Information collected pursuant to subparagraphs 4(a) and 4(d) of this Article shall, as appropriate, be provided in aggregate form by the Parties in their periodic reports to the Conference of the Parties, in accordance with Article 21.

6. The Parties shall, as appropriate and in accordance with national law, promote cooperation between national agencies, as well as relevant regional and international intergovernmental organizations as it relates to investigations, prosecutions and proceedings, with a view to eliminating illicit trade in tobacco products. Special emphasis shall be placed on cooperation at regional and subregional levels to combat illicit trade of tobacco products.

7. Each Party shall endeavour to adopt and implement further measures including licensing, where appropriate, to control or regulate the production and distribution of tobacco products in order to prevent illicit trade.

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THIS DOCUMENT HAS BEEN DEVELOPED BY THE POLICY ANALYSIS AND COMMUNICATIONS TEAM OF WHO'S TOBACCO FREE INITIATIVE, PURSUANT TO WHA RESOLUTION 54.18, TRANSPARENCY IN TOBACCO CONTROL PROCESS, THAT "CALLS ON WHO TO CONTINUE TO INFORM MEMBER STATES ON ACTIVITIES OF THE TOBACCO INDUSTRY THAT HAVE NEGATIVE IMPACT ON TOBACCO CONTROL EFFORTS."



**TOBACCO FREE INITIATIVE
WORLD HEALTH ORGANIZATION
<http://www.who.int/tobacco>**

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Increasingly consumers, employees and managers expect companies, particularly large multinationals, to go beyond their traditional role of creating, producing, packaging and selling—for a profit. In the public's view, job creation and tax paying no longer suffice as private sector's sole contribution to society. The boom of socially responsible investment (SRI) products attest to this trend as investors express their concerns and make their social and ethical stands known to the companies they invest in and patronize. Socially responsible investors include individuals, corporations, universities, hospitals, foundations, and insurance companies, pension funds, non-profit organizations, churches and synagogues. Funds may exclude certain products or practices such as alcohol, weapons, pollution, animal testing or gambling; or they may seek to actively identify positive aspects of companies that adopt sound policies for environmental protection, fair employment practices, community and labor relations, for example. The common denominator among the vast majority of ethical or socially responsible investment policies and products is the exclusion of tobacco companies in their portfolios.ⁱ

Well-planned and well-managed philanthropy, from sponsoring music, film and art festivals to creating education programs for the disadvantaged to protecting the environment, in the name of corporate social responsibility (CSR) has become a necessary element in virtually every large corporation's business plan.

Many businesses from a wide range of sectors conduct projects and programmes that aim to reduce social inequity—by creating or improving health care or educational facilities, providing vocational and management training, enhancing the quality of leisure and cultural activities. Specific sectors are recognizing their responsibilities and orient their CSR efforts to areas especially relevant to their business. For example, food and beverage multinationals have specific responsibilities in terms of product marketing, consumers' changing eating habits, and conditions under which agricultural commodities are produced and traded. Transport companies must contend with the environmental impact of their business as well as traffic congestion, energy waste, safety and security and access to trade and enterprise opportunities.

Tobacco companies have not missed this trend. Major companies have developed programmes for small business development in Kenya, crime prevention in South Africa, business education in China, folk culture preservation in Venezuela, and medical treatment and flood relief in Pakistan. A few specific examples follow.

youth smoking prevention

One area where nearly every major tobacco company invests publicity efforts to improve their corporate image is the development and promotion of ineffective youth smoking prevention programmes. While these programmes are created to appear to dissuade or prevent young people from smoking, in fact the effect is often the contrary. By portraying smoking as an adult activity, these programmes increase the appeal of cigarettes for adolescents. Proposed measures that involve proof of age for purchase at the counter are ultimately ineffective, as young people easily circumvent these restrictions. Tactically, these programmes serve the purpose of creating the appearance that tobacco companies are proposing solutions for the problems they create. In reality, they detract attention from

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proven, effective solutions—including price and tax increases—to which young people are particularly sensitive. Tobacco companies vigorously oppose price and tax increases.

education

Another field where several tobacco companies have focused their CSR activities is education, often in the form of grants, scholarships, professorships, even the creation of an entire school.

At the end of 2000, the University of Nottingham announced the creation of the UK's first International Centre for Corporate Social Responsibility, thanks to a £3.8 million from BAT. The centre's mandate is to study the social and environmental responsibilities of multi-national companies to the communities in which they operate. In December 2002, the Centre launched its new MBA programme, focusing specifically on CSR issues. Of course, many scholarships are available for this programme.

A study recently published in the British Medical Journal details research grants and donations from the tobacco industry as well as senior university governance appointments held by tobacco industry officials. Of 90 universities and 16 medical faculties, 39% had received donations from the tobacco industry. Four of the 16 medical schools had received research grants. Tobacco industry officers and directors were found to hold 26 university related appointments between 1996 and 2001, including posts such as governor, president, chancellor, and director, as well as posts in university affiliated teaching hospitals and in university development and advancement. Dr Fernand Turcotte, of Laval University, one of the study's authors, said "such appointments were scandalous. The tobacco industry infiltrates the universities in this way because of the prestige associated with these institutions." He added "it's a way to buy silence and complacency"ⁱⁱ

At the end of 2002, BAT-Ghana contributed 250 Ghanaian Cedi (approximately 30,000 USD) to the University of Ghana, Legon, for the Jubilee Hall Fund; and to the Kwame Nkrumah University of Science and Technology, Kumasi, for the establishment of Research Chair in Agro-Forest at the Institute of Renewable Natural Resources. The company also sponsors 44 tertiary students each year.ⁱⁱⁱ

A less successful attempt to buy academic credibility was BAT's attempt to offer a London School of Hygiene and Tropical Medicine student a £1500 grant as well as the opportunity to work in the company's research and development unit at its Southampton factory on completion of the degree. Professor David Leon, upon learning of the offer told the company "to take its money elsewhere." He replied to the company: "You must think that academics and students in epidemiology are both extremely stupid and mercenary. There is no need to recite to you the responsibility BAT has for millions of deaths as it continues to push tobacco around the world."^{iv}

development and other philanthropy

The tobacco industry is also involved in community-level development projects, such as the Kerio Trade Winds Project, in Kenya a partnership between the community and BAT that aims to "develop[ing] tobacco growing activities as an option towards alleviating poverty in line with the government's poverty alleviation strategy."^v The Tobacco Association of Malawi has joined in ILO efforts to discourage abusive child labour practices in tobacco farming in Malawi.^{vi} Souza Cruz, the Brazilian subsidiary of BAT, sponsored a concert tour to celebrate the 40 year career anniversary of an internationally-known Brazilian pianist in support of the newly elected Brazilian President's campaign to eliminate hunger, Fome Zero.^{vii} These activities come less than a year after a Christian Aid investigation of the Brazilian subsidiary of BAT, Souza Cruz, exposed labour practices ranging from alleged price control abuses, to failure to protect workers from pesticides and other hazardous chemicals, to failure to improve conditions where children are forced to labour in tobacco fields to help alleviate family debt.^{viii}

Perhaps most remarkable, and most cynical, are those tobacco industry-sponsored programmes that aspire to public health goals. For instance, BAT Bangladesh extended their support to Shandhani Andhatyamochan (Blindness Relief) Lottery organised by Shandhani National Eye Donation Society by purchasing a large quantity of lottery tickets and making a donation to the Shandhani National Eye Donation Society, handing over a cheque at a public ceremony held at the BAT factory in Dhaka.^x No mention was made of the link between smoking and cataracts, a major cause of blindness. The same factory was the venue for an occupational health workshop for students of Bangladesh University.^x

In Zimbabwe, BAT recently invested \$6 million in a Harare medical clinic for the company's 400 factory workers. A local paper reported, "The British American Tobacco Company Zimbabwe should therefore be commended for focusing on the health and well being of its employees"^{xi}

CSR alternative?

In an interesting move, Philip Morris, the world's largest tobacco company, started the new year with a new name, Altria, reportedly inspired by the Latin *altus*, "high." In contrast to the company's own explanation of the "corporate identity change" that "reflects important evolutions in [the company's] development," this name change has been hotly criticized as a PR move to distance other Philip Morris companies from the spectre of tobacco. "Philip Morris is banking on the short memory span of consumers and hoping that yet another massive PR campaign will win back a US public that has adamantly rejected its deadly business practices," commented Kathryn Mulvey, Executive Director of Infact, a US-based consumer protection NGO.^{xii}

In its foreword, British American Tobacco's Social Report 2001/2002 is cited as "a serious commitment to embedding the principles of Corporate Social Responsibility in the British American Tobacco Group." The report goes on to explain that a "formal CSR governance structure" has been established and that the company has "much to offer in helping to address the problems that concern our stakeholders, including supporting soundly-based tobacco regulation and reducing the impact of tobacco consumption on public health."

As BAT Bangladesh Managing Director said upon accepting an award from the Bangladesh Scout Guide and Fellowship, "BAT is deeply committed to the development of the country and will nourish the company's core value: Success and Responsibility go Together through contributions in different sectors of country's socio economic development."^{xiii}

This report and these tobacco industry programs that seek to contribute to a greater social good urge the question: how can tobacco companies reconcile their main aim, to gain a maximum profit by producing and selling a deadly product, with the goals of CSR: business norms, based on ethical values and respect for employees, consumers, communities and the environment? How can they claim to promote transparent business practices, calling for open dialogue among stakeholders when public inquiries and legal testimonies in courts in countries around the world attest to tobacco companies' actions and strategies to conceal the deadly nature of their products, derail work to protect public health and destroy incriminating evidence?

As in many respects, tobacco companies are simply not like other companies. Tobacco products are legal. But they are also lethal. Tobacco is the only consumer product available that kills one-half of its regular users. As such, in terms of CSR activities, they cannot simply figure among the ranks of other consumer goods companies.

Despite the tobacco industry's thinly-veiled attempts to gain corporate respectability and companies' claims to have changed their practices, they continue to use a vast array of unethical and irresponsible strategies to promote its products, expand markets and increase profits.

In the summer of 1999, an internal report to Dr Gro Harlem Brundtland, Director-General of the World Health Organization (WHO), suggested that there was evidence in formerly confidential tobacco company documents that tobacco companies had made "efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations." Later that year, she announced that understanding the role of the tobacco industry in causing and perpetuating an epidemic that kills some 5 million people annually, would be a key to developing tobacco control policy in general, and specifically a Framework Convention on Tobacco Control that can stop, if not reverse the tide and appointed a Committee of Experts to research tobacco company documents which had become publicly available as a result of lawsuits against the tobacco industry in the United States.

That documentary evidence pointed to systematic and global efforts by the tobacco industry to undermine tobacco control policy and research developments.

The Committee found that the tobacco industry regarded the World Health Organization as one of their leading enemies, and that the industry had a planned strategy to "contain, neutralise, reorient" WHO's tobacco control initiatives. Tobacco industry documents show that they carried out their plan by staging events to divert attention from the public health issues raised by tobacco use; attempting to reduce budgets for the scientific and policy activities carried out by WHO; pitting other UN agencies against WHO; seeking to convince developing countries that WHO's tobacco control program was a "First World" agenda carried out at the expense of the developing world; distorting the results of important scientific studies on tobacco; and discrediting WHO as an institution.^{xiv}

These findings were the catalyst for efforts in WHO Regional Offices and individual country offices to carry out their own investigations on tobacco industry activities aimed specifically at sabotaging public health work. They also spurred the implementation of a systematic screening process of WHO employees and consultants to determine whether or not there exists any conflict of interests with the aims of the organization. All employees and consultants are required to declare any interests that may influence their objectivity—including whether they are or have been involved in the production, manufacture, distribution or sale of tobacco or any tobacco products or directly represented the interests of any such entity.

WHO Headquarters was not the only target. In WHO's Eastern Mediterranean Region, tobacco industry activities to weaken public health policy in the Middle East began in the late 1970s, when multinational tobacco companies met regularly to discuss pending regulations and to plot joint strategy. The Middle East Working Group (MEWG), which later became the Middle East Tobacco Association (META), comprised all of the major tobacco multinational operating in the Middle East, and was formed in order to "promote and defend" the interests of these companies in the region--carefully monitoring and seeking to undermine the work of public health officials in the Middle East, including the Arab Gulf Health Ministers' Conference, the World Health Organization and national tobacco control coalitions. The tobacco industry documents show that the companies enlisted prominent political figures in the Middle East to provide information and lobby for them, including an Egyptian member of Parliament, a former Assistant Secretary General of the Arab League and even, at one point, the Secretary General of the GCC Health Ministers who was also the Kuwaiti Under-Secretary for Health.^{xv}

A recent report released by the Pan American Health Organization (echoes these same findings. Transnational tobacco companies planned and executed comprehensive campaigns of deception over the last decade in Latin America and the Caribbean

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regarding the harmful effects of second-hand smoke and the nature of tobacco company marketing activities. By hiring scientists throughout Latin America and the Caribbean to misrepresent the science linking second-hand smoke to serious diseases and by designing "youth smoking prevention" campaigns and programs primarily as public relations exercises aimed at deterring meaningful regulation of tobacco marketing, tobacco companies sought to delay or avoid tobacco marketing restrictions and restrictions on smoking. Industry documents also show that tobacco companies had detailed knowledge of smuggling networks and markets and actively sought to increase their share of the illegal market by structuring marketing campaigns and distribution routes around them and that they enjoyed access to key government officials and succeeded in weakening or killing tobacco control legislation in a number of countries.^{xvi}

All these investigations consistently point to the discrepancy between the measures that tobacco companies internally recognize to be the greatest threats to their sales, and those that they champion in public. For example, companies publicly deny the connection between smoking prevalence and tobacco advertising, but internally acknowledge that advertising bans are a threat to tobacco sales, and a key priority for thwarting regulatory action. Companies constantly insist that they do not market to young people while internal documents clearly demonstrate otherwise.

In a recent report examining recent statements submitted by British American Tobacco, Philip Morris, R.J. Reynolds, Brown & Williamson and Lorillard in the civil suit brought by the US Department of Justice,^{xvii} US Representative Henry A. Waxman found that most companies continue to question whether smoking causes disease and do not admit that nicotine is addictive. All companies denied that that second-hand smoke causes disease in non-smokers—despite unequivocal evidence from the US Surgeon General and the World Health Organization (WHO). Tobacco companies also denied that they control nicotine levels in cigarettes, that they market to children and that they destroyed documents to avoid their use in lawsuits—despite their own testimonies in courts of law to the contrary. The tobacco industry systematically creates controversy about risk assessment and about the scientific evidence of the health hazards of tobacco use and second-hand smoke.^{xviii}

Similar enquiries and investigations have been done out or are in the process of being carried out in other countries, including Switzerland, Finland, Israel, Syria, Iran, among others. The tactics are expertly adapted to specific country situations and executed solely in the interest of tobacco company profits.

At the same time, the toll of tobacco-related disease and death around the world is spiralling to 4.9 million lives lost every year. This figure exceeds all previous projections, reaching greater dimensions, faster than expected—reaffirming the urgent need for action on a global scale.

Tobacco companies are asking for open dialogue. They assert that their efforts to undermine global tobacco control policy are a product of a past era and that now they seek to engage in constructive dialogue with the WHO and national governments. They appeal to "reticent stakeholders" to judge them "not by the swirl of words around [their] industry but by [their] actions."^{xix}

This comes at a time when WHO's 192 Member States are doing just that, in negotiating the Framework Convention on Tobacco Control, a global movement to establish standards for regulating tobacco to reduce the death and suffering caused by this entirely man-made epidemic. Nearly 5 million deaths a year, 1.3 billion smokers in the world today and high rates of youth smoking are in part the result of the failure of governments to implement tobacco control policies that are known to work. Governments' inaction and public indifference, where it exists, are largely a result of decades of tobacco companies' untoward influence.

The business community, consumer groups and the general public should join policymakers and the public health community in being more vigilant and critical about tobacco

companies' CSR activities. Because, despite the industry's claims, there is little evidence of any fundamental change in their objectives or their practices.

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PROFITS OVER PEOPLE

Tobacco Industry Activities to Market
Cigarettes and Undermine Public Health
in Latin America and the Caribbean

Pan American Health Organization

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Pan American Health Organization
November 2002

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EXECUTIVE SUMMARY

This report, commissioned by the Pan American Health Organization (PAHO) in the summer of 2001, summarizes previously secret tobacco industry documents from the two tobacco industry market leaders in Latin America and the Caribbean (LAC): Philip Morris International (PMI) and British-American Tobacco Company (BAT). PMI documents were downloaded off a company web site and BAT documents were obtained from the Guildford Depository in the United Kingdom. Over one thousand documents were reviewed in preparing this report.

These documents reveal that the industry's strategies for the LAC region mirror worldwide tactics devised to promote the tobacco companies' deadly products, increase corporate profits, and forestall any meaningful regulation of the industry's practices or products. The principal PMI and BAT strategies include opposition both to tax increases and marketing restrictions, as well as maintenance of the social acceptability of smoking. In addition, the documents reveal the industry's knowledge of and participation in the distribution of cigarettes through illegal channels, euphemistically referred to by the industry as the Duty Not Paid (DNP) market segment.

The documents from both companies reveal some of the actions the industry planned and developed to implement its key strategies. It is clear that in the LAC region, as elsewhere, tobacco lobbyists had access to government officials and were successful in proposing, and in many cases implementing, industry-friendly legislation that would pre-empt any movement towards stricter regulatory and legislative controls. This was particularly the case for legislation related to advertising restrictions and youth access laws, and for the industry's "accommodation" solution to the second-hand smoke problem.

While BAT and PMI compete for dominance of a growing market, using both legal and illegal channels, the documents provide evidence that they collaborate on several fronts as well. The companies devised joint lobbying strategies to oppose effective tobacco control legislation in several countries and developed the "ETS Consultants

Project" to mislead the public, the media and policy makers about secondhand smoke. They also worked together with advertising industry allies to promote "voluntary marketing codes", ostensibly aimed at reducing sales to minors. In fact, these measures were knowingly and deliberately ineffective, designed to stave off effective marketing controls and regulations.

The report details tobacco company activities under four general themes: general plans and strategies; secondhand smoke; promotional campaigns; and tobacco smuggling. Within all of these themes, there is private confirmation of behavior and motives that the industry publicly denies. These include:

- company research into and deliberate targeting of the youth ("young adult") market;
- acknowledgement that the primary goal of "youth smoking prevention" campaigns is to shore up the public image of tobacco companies;
- acknowledgement that the secondhand smoke issue and restrictions on smoking in public places constitute an enormous threat to tobacco company revenues;
- development of marketing campaigns, distribution channels, and levels of production aimed deliberately at supporting and encouraging the large market in smuggled cigarettes.

This report provides numerous industry quotes, often from current, highly-placed executives, and offers a

regional overview of industry strategies and tactics. However, a detailed country-by-country analysis was beyond the scope of this report. For this reason tobacco control advocates and public health professionals in each of the region's countries are encouraged to pursue more local, in-depth research. Knowledge of the industry's activities and, more importantly, of its deceptions, will better equip advocates, health professionals and governments to promote effective tobacco control policies in their respective countries.

The following quotes illustrate the range of documents analyzed in this report, and offer a glimpse at the tobacco industry's ethically-challenged plans for Latin America and the Caribbean:

On smuggling:

"... due to the sensitivity, management and co-ordination of the DNP [Duty Not Paid, or illegally-traded products] business, all brands should be concentrated on one operator per channel ... [Border Trade] There should be complete clarification in the co-ordination and management of the DNP ... Due to the importance of this business in the region, we propose that a "Border Trading Group be formed to monitor and take [sic] decisions, when appropriate, to protect BAT Industries' interests. It is recommended that there be one member from Souza Cruz, one from Nobleza Piccardo, and one from BATCo."

(1993, BAT's Latin America manager, Keith Dunt)

"This note is to ask you to clarify the position of BAT Industries in the [DNP] business. I am advised by Souza Cruz that the BAT Industries Chairman has endorsed the approach that the Brazilian Operating Group increase its share of the Argentinean market via DNP. As the Director entrusted with responsibility for the management of Nobleza-Piccardo I need to advise you of the likely volume effect on N-P of this decision and of course the financial impact... It has not been possible to agree the strategy of testing a reduced DNP volume flow... This note is to advise you on the impact the increased DNP volume will have on the results of your Argentinean subsidiary."

(1993 Keith Dunt memo to Barry Bramley, BAT Chairman)

"... it was agreed between N-P [Nobleza-Piccardo] and Souza Cruz that Souza Cruz should initiate "exports" of the brand [Ritz] through the DNP route with the specific objective of attacking Philip Morris' comfortable position as the leaders in this growing DNP segment. As a result Souza Cruz reversed the trend and achieved 71% share of the DNP low segment by the end of 1991."

(1992 memo from Flavio de Andrade, current CEO of Souza Cruz)

"To restrict "political" problems, the brand would be launched in the South of Brazil in restricted quantities... Despite tighter controls by Border Authorities, contraband continues strong in the region... Souza Cruz continues to increase Sales Vol-

ume of exports into Paraguay, of which 80% is estimated to eventually enter into the Argentine D.N.P. market."

(1992 memo from Flavio de Andrade, current CEO of Souza Cruz)

"The DNP segment is a fact of life and almost institutionalized. The segment has at no recent stage been significantly restrained by the authorities. The DNP segment will continue to exist as long as both the price differential exists and the greater margins for the trade are available. Due to the strong demand all DNP initiatives have done so far is increase volume rather than shift shares... A B.A.T. decision to withdraw from this segment could only encourage Philip Morris (International and Brazil) to increase its current volumes and further dominate the Argentinian market

(1992 memo from Flavio de Andrade, current CEO of Souza Cruz)

On second-hand smoke...

"Prepare and execute pre-emptive accommodation campaigns to deal with the issue surrounding Environmental Tobacco Smoke (ETS) ... We will develop pre-emptive accommodation programs to secure a reasonable outcome of the increasing pressures to regulate public smoking."

(PMI's "Five Year Plan, 1995-1999")

"The main issue facing the industry in South America, now and in the future, is ETS/ public smoking restrictions/social unacceptability of smoking. The issue of active smoking is, however, still of major importance. The influence of anti-smoking stories in international media ... and of WHO/PAHO must not be underestimated in this context ... A key element in any public affairs programme is the maintenance of a good corporate reputation. Without this, communication on other issues will be adversely affected."

(December 1990 BAT "Smoking Issues" meeting)

"The ETS Consultants Project in Central and South America ("Latin Project") was initiated in early 1991. The Latin Project currently includes thirteen consultants from seven countries: Argentina, Brazil, Chile, Costa Rica, Ecuador, Guatemala and Venezuela. ... The Latin Project currently receives forty percent of its funding from Philip Morris International. The Latin Project is managed by Covington and Burling. ... Unlike many other regional ETS consultant programmes sponsored by the industry, the Latin project was initiated in anticipation, rather than in reaction to, the full-force arrival of the ETS issue to Central and South America... Critical to the success of the Latin Project is the generation and promotion of solid scientific data not only with respect to ETS specifically but also with respect to the full range of potential indoor and outdoor air contaminants."

(1992 document on the "ETS Consultants Project")

"[the results of the survey] creates an opportunity for us [Philip Morris] to begin to make noise about outdoor air quality while we continue to pursue our work on IAQ through the ETS Consultancy Program. ... When pressed about ETS specifically, 73% of the general public and 53% of opinion leaders expressed a need for more government regulation."

(1994 comments by PM employee on the results of an industry-commissioned Latin America SHS and Air Quality Survey)

On marketing to youth:

"Camel is the U.S. International full flavour cigarette for men who see themselves as independent, self-assured and individualistic in their lifestyle. The target smoker is male, urban, aged 18 to 24 and ABC1. Starters are an important part of the target."

(Nobleza-Piccardo 1992 Brand Strategies)

"... Among many young adults, the F-1 driver is seen as the modern cowboy taking on the hi-tech challenge of the modern horse. ... In summary, Formula 1 is an indispensable marketing tool for Marlboro, with high appeal to target consumers in all markets. Moreover, it is of vital importance to markets with total or severe advertising restrictions. ... We need to continuously re-focus Formula 1 programs to YAS [Young Adult Smokers] to give the sport a new look and make it fresh, exciting and appealing."

(1993 Formula 1 study)

On delaying and avoiding regulation:

"The PARG [Public Affairs Regional Group] promotes the re-activation of industry presentations before the Latin American and Caribbean Group (GRULAC) and FAO with the assistance of BATCo's Government and Corporate Relations Manager. ... The main objectives of this initiative are ... [to] influence the vote of diplomatic delegations participating in the International Organizations at Geneva. So as to counteract propositions against the tobacco industry, specifically the ones proposed at OMS [WHO] General Assembly. ... To ensure that FAO's Review and Outlook Report includes tobacco as a specific topic ... Operating companies will contact their respective diplomatic delegation representatives (Ambassadors). ... Government and Corporate Relations Manager—BATCo.—should contact the Ambassadors before the international Organizations at Geneva to explain the objectives of a future meeting with industry representatives. This should be done preferably in conjunction with PMI staff."

(1992 plans of BAT's PARG for Latin America)

"Objective: To prevent the passage of unfavorable legislation aimed at restricting or banning advertisement and promotion of our products."

(Philip Morris 1994-1996 strategic plan for Latin America)

On manipulating public opinion:

"... under the guidance of Shook, Hardy and Bacon, [US-based law firm] and under the sponsorship of the Interamerican College of Physicians and Surgeons, a survey is being conducted to determine the health priorities of the region according to the deans of medical schools. We expect the results of the survey will demonstrate that the concern with smoking in Latin America as a public health hazard is the result of outside pressure and not a primary item of concern among the medical community. If the study confirms our suspicion, we expect the Interamerican College of Physicians and Surgeons to amply publicize these findings."

(1990 presentation, Philip Morris Latin America manager

Marc Goldberg)

"... I cannot stress strongly enough the absolute necessity for the industry to have no direct contact with these scientists [the Latin Project consultants] that are part of the program. ... If one scientist in the group is perceived by anyone to be associated with the industry, then we run the risk, by association, of this happening for the rest of the group and the whole exercise will become pointless. All contact, as previously explained, must be carried out through Covington & Burling."

(1991 letter from BAT's Sharon Boyse to Edgar Cordero, of Costa Rica)

"Taking into consideration the emerging adverse legislative climate in the region, we have an opportunity to create good will for the tobacco industry by going public with a campaign to discourage juvenile smoking."

(1993 memo, Cathy Leiber, PM's Director for Corporate Affairs, Latin America)

In summary, the documents reveal that the tobacco business is as much a coordinated fight against public health and government regulation as a fight between staunch competitors for specific markets. Knowledge of this orientation and of the tactics used to defeat public health initiatives will strengthen efforts by governments, advocates, and the public to reduce tobacco use in Latin America and the Caribbean.

I. INTRODUCTION

In February 1998, the tobacco industry began posting large numbers of its once-secret internal documents on the Internet.¹ The first batches, containing hundreds of thousands of pages, were filed in the course of litigation initiated by United States health insurers in Minnesota.² Settlement of the Minnesota case,³ and the November 1998 Master Settlement Agreement (MSA) between the industry and 46 US states,⁴ obliged the Original Participating Manufacturers (Philip Morris, R.J. Reynolds Tobacco, Brown & Williamson and Lorillard Tobacco) to establish document depositories in Minnesota and in Guildford, England. The depositories are to be maintained until 2010.⁴ The documents from the US-based companies are almost all available on the World Wide Web, except for a very small subset that can only be found at the Minnesota Depository.^{5, 6}

In Latin America and the Caribbean (LAC), British-American Tobacco Company (BAT) is the dominant market player, controlling fully half of all Latin American cigarette sales.⁷⁻⁸ Although one of the MSA signatories, Brown & Williamson, is a BAT subsidiary, only small sets of BAT-specific documents are available on the Internet, accessible through a few university and government-based websites.⁹⁻¹⁶

Notwithstanding that limitation, the global document archives, now containing tens of millions of pages of memos, surveys, reports and analyses, have allowed researchers to explore much of the inner workings of the tobacco industry. Over the past few years, investigators have been able to comb through only a modest fraction of the available documents, but disturbing patterns of activity have already emerged.¹⁷⁻³¹

The Pan American Health Organization (PAHO) recently obtained thousands of pages of documents pertaining to the activities of global industry leaders BAT and Philip Morris (PM) in LAC. These papers, like others that have been reviewed, reveal industry-wide efforts to thwart and subvert the intent of national tobacco control efforts that would restrict the companies' promotion, marketing, sale and distribution of their deadly products.

Why are the activities of the tobacco companies of interest to PAHO? Simply put, tobacco companies are the vec-

tor of tobacco-caused deaths. And the behavior of tobacco companies, more than almost any other factor, determines how many people smoke and how much they smoke. Yet ironically, far more effort is spent on studying the host—the smoker—than in studying the root cause of tobacco-caused illness: tobacco products and the companies who make and promote them.

This summary of findings reveals how the tobacco industry and its agents developed strategies and engaged in activities designed to influence political decisions in a manner favorable to the industry and against the interests of public health. Various documents describe how the industry designed marketing programs to entice young people to smoke; continued its campaign to discredit the scientifically-established risks of secondhand smoke (SHS) and, most significantly, engaged in trade practices that have rendered the industry liable to criminal charges of direct participation in tobacco smuggling in many countries, particularly those of Latin America.

The worldwide number of deaths associated with the use of tobacco products now approaches the staggering total of four million, each and every year.³² Without immediate, effective action, this number will rise almost unimaginably high over the next twenty years, with some ten million men and women projected to die annually as a direct consequence of their use of tobacco products.³³ Half of

these deaths will occur in middle age (35-69), causing the loss of 20 to 25 years of life expectancy and ensuring a poorer quality of life during those fewer remaining years. Most tobacco-related deaths will occur in developing countries^{33, 34} where the social infrastructure is least equipped to deal with the terrible health burden.

According to PAHO estimates, some half-million avoidable, tobacco-related deaths occur in LAC each year.³⁵ Smoking-induced deaths represent at least one-third of all deaths from cancer and cardiovascular disease in LAC. In turn, these diseases make up most of the burden of non-communicable diseases, now responsible for 63% of all deaths in LAC.³⁶

There is no single action or program that can entirely remedy this devastating reality. However, greater knowledge of tobacco industry activities and strategies will allow the public health and tobacco-control communities to better mobilize their resources as they seek to reduce the terrible toll. By the patient accretion of detail, the information gleaned from once-secret documents is showing that a rogue industry will use any and all means available to ensnare new generations of smokers while maintaining its grip on those already addicted to tobacco products. Public dissemination of this and other information about the nicotine cartel should help develop the legal, policy and educational tools necessary to advance the fight for public health in Latin America, the Caribbean and around the world.

METHODS

Tobacco industry documents were obtained from three sources: the Internet, the Minnesota (MN) Depository and the Guildford Depository. The MN depository search yielded only a very small number of documents that could not be found elsewhere and these texts are not discussed in detail.

Internet

The Internet search was carried out from July 24th to September 23rd, 2001 and limited to documents from the years 1990-2001. The search focused mainly on tobacco industry websites maintained by Philip Morris, R.J. Reynolds Tobacco, Brown & Williamson and Lorillard. A search of the British American Tobacco documents available through two Canadian source sites

(Health Canada and the British Columbia Ministry of Health) was also conducted. The majority of documents selected come from the Philip Morris site. Search mechanisms vary slightly from site to site, but similar keywords were used. The focus was on documents that related to the region as a whole, though some country-specific documents were also selected and examined.

The preferred search term was "Latin America". When a variation on this term was used, such as "Latin American", it produced a larger number of documents. However, the additional documents related mostly to the Latin American/Hispanic US market, and searching with this broader term was not efficient. The principal keyword used on the Philip Morris site was Latin America & ddate 199****. This produced 759 documents limited to Latin America and the decade of the 1990s. Additional searches using ddate:200**** yielded only a few additional documents. Since the end of the search period, PM has added documents to its site and updated searches were again conducted, yielding only a small number of additional documents.

Of the 759 documents, 376 were selected, based on content relevance and uniqueness. Material available through other sources, such as articles from peer-reviewed journals or newspapers was not selected. Also excluded were fax cover sheets, blank pages, and general company announcements distributed to all managers. Duplicates were also eliminated.

A similar search strategy was used on the other industry websites, with lower numbers of documents produced. As the RJR site produced only 7 documents for Latin America in the 1990s, a keyword search using the names of those responsible for the Latin America market was also conducted, but this produced only 4 additional documents. The results were similar on the Brown & Williamson site, with no more than 12 documents produced by the search. Using the keyword Latin America on the Health Canada site produced 33 documents, of which 15 were selected according to the same inclusion and exclusion criteria and dates. The British Columbia site produced 86 documents for the keyword Latin America, with seven of these selected.

As additional keywords were identified from the documents, further searches were conducted using the names

of key players, cigarette brands and events, or certain specific countries, alone or in combination. On most sites, entering specific country names produced large numbers of documents, mainly related to marketing strategies for specific brands, in addition to trip reports from US-based employees who visited production or distribution facilities in various parts of the region. Again, the Philip Morris site was home to the largest number of country-specific documents. However, caution is required when looking at these numbers. Many of the documents in question discuss regional strategic plans and had already been selected in the initial search, while others are duplicates. Many more would have been excluded by the criteria described above (e.g. blank file folder page).

We also conducted an Internet search using the term "Caribbean" for the same time period. However, this search yielded very few documents of interest (approximately 60), partly due to the fact that BAT dominates the market, while Philip Morris has the largest number of available documents. Additionally, several of the documents referred to Caribbean-themed events in the US, and not to LAC files. Entering the names of each country of the Caribbean region yielded a few more documents, mainly for Jamaica and the Dominican Republic. Again, given the broader regional mandate of this report, the country-level documents were only included if they added substantially to this review's findings.

Guildford Depository

The document search was conducted in September 2001. Documents are archived in files and any number of individual documents may be found inside each file. Over 300 file folders related to Latin America and the Caribbean were examined, principally covering the 1990-1995 time period, as few documents were available from later dates. Approximately 4,100 pages of photo-

copies were ordered. This corresponds to approximately 480 documents. However, given the system utilized by BAT to archive its documents, a "document" often includes several letters, reports and other individual documents but archived under the same document label. Therefore, if archived by a more standard method, the number of individual documents produced would be higher. Search terms were similar to those used on the Internet, with the focus on broader, regional documents.

Limitations

The search focus was on broad, region-level documents. Country-level searches could have yielded more operational details but, given the comprehensiveness of the plans uncovered, we are confident that national-level searches would have not changed the general content and tenor of this report. Nonetheless, we encourage individual countries to conduct specific country level searches, which would yield more detailed information at the country level.

These documents were produced as a result of the discovery process during US litigation initiated to recover health care costs associated with the treatment of tobacco-related diseases. Therefore, the international strategies of the tobacco industry were not the focus of discovery. A number of the documents produced do afford insights into these strategies, however, and these form the basis of this report. It is very likely that many more useful documents, affording additional perspective and detail, remain hidden in the tobacco industry's internal archives. Nevertheless, the available documents provide the necessary material to trace a broad, fair portrait of the activities of the tobacco industry in Latin America and the Caribbean, a region that can ill afford to be seduced and abused by the nicotine cartel's predatory practices.

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II. PLANS AND STRATEGIES

The tobacco industry's sole aim, in the Americas and worldwide, is to sell cigarettes, regardless of the immense costs borne by smokers, their families and society at large. All industries aim to promote their varied goods, but cigarettes are unique in that they're deadly when used as intended by the manufacturer. In order to market and sell its products, the tobacco industry seeks to promote the social acceptability of smoking in an environment unburdened by regulatory and legislative constraints. To maintain their profitability, tobacco companies have articulated a number of short-term objectives and long-term strategies, many of which are described in the industry's once-secret internal papers.

STRATEGIC DIRECTIONS

The documents that describe these strategies include typical business plans to increase sales, profits and market share, along with analyses of the competition's activities. Of greater relevance are documents detailing corporate and public affairs strategies. These are important because they reveal much about the industry's lobbying and public relations tactics that are intended to thwart tobacco control efforts. Philip Morris International (PMI) and British American Tobacco (BAT) are the prime multinational companies operating in Latin America and the Caribbean. Although they normally engage in fierce competition for a growing market, the documents show there are many instances where the two companies join forces and collaborate as part of a collective regional strategy.

Collaboration tended to occur when the companies addressed perceived threats to their ability to freely market their products. The industry leaders also banded together in the face of growing public awareness of the harm caused by smoking and, more importantly, by exposure to second-hand smoke, as this awareness led to pressure to restrict smoking in public places. The documents also reveal that instances of collusion with respect to dividing up markets, setting prices and coordination of marketing campaigns were not uncommon.

There are very few differences in the overall form and

content of the publicly available plans of PMI and BAT. Although the two companies possess different organizational structures, the main strategic distinction is that BAT plans quite openly incorporate strategies to increase participation in the D.N.P. [Duty Not Paid*], or illegal, market,¹⁹ something not openly addressed in the PMI documents. (See Chapter V) Nonetheless, several BAT documents include references to the D.N.P. business of Philip Morris and its affiliates in a number of Latin American countries, including Brazil,¹⁰ Colombia,¹¹ Paraguay¹² and Venezuela.²

PMI's "Five Year Plan, 1995-1999"¹³ reviews "worldwide tobacco issues", including standard business concerns such as sales volume, revenue, market share and pricing. But the Plan also discusses increased worldwide pressure for the implementation of clean indoor air policies and advertising restrictions, and emphasizes the need to continue to lobby for a "favorable tax structure worldwide". In one document these activities are framed as "protecting the industry and the smoker:"

PROTECTING THE INDUSTRY AND THE SMOKER

- Prepare and execute pre-emptive accommodation campaigns—to deal with the issue surrounding Environmental Tobacco Smoke (ETS)—We stepped up our corporate affairs efforts to deal with the threat of the ever-increasing public smoking restrictions around the world. ...
- Public smoking—We will develop pre-emptive accommodation programs to secure a reasonable outcome of the increasing pressures to regulate public smoking.

* For a list of the acronyms and names used in this report, refer to Appendix 1.

- Advertising restrictions and warning labels—These issues will be dealt with on a country or regional basis. We will also develop a task force to deal with the new and increasing threat of plain packaging.
- Youth access—We will establish a task force that will be charged to develop campaigns and programs that clarify our position on this issue. The objective is to remind the trade of its responsibility to monitor and enforce existing local laws with respect to the legal age of smoking.
- Public advocacy—We will be prepared to publicly advocate and defend our position on all these issues. Our key executives in each market will be better trained to speak out when required as well as better inform our employees worldwide. ...¹³

BAT's Latin America Corporate Affairs/Public Affairs and Philip Morris Latin America documents demonstrate that BAT's priorities for the region were consistent with those of PMI as well as throughout BAT's operating companies in the region, and that plans were centrally developed for application at the country level.^{14,15} (Appendix 2 provides several examples of more detailed plans for the region from both companies.)

In essence, the companies' corporate affairs/public affairs strategies can be divided into the following categories: smoking and health, second-hand smoke issues, marketing freedom and taxation. For example, a PMI Corporate Affairs Plan for 1990 outlined the "key issues" for which the company would develop strategies: product liability; environmental tobacco smoke; marketing freedoms; taxation; anti-tobacco network; regulation; special projects and resources.¹⁶

A 1990 presentation by Philip Morris Latin America (PMLA) manager Marc Goldberg, describing the events of the year, stated

[As newly elected] governments lower inflation we are faced with the pressures of increased taxation. ... This is nothing new to our region, since in the past, cigarettes as well as liquors, have been easy targets for governments in search for additional revenue. ... However, we have been able to moderate the impact of proposed government measures. ... In Argentina, we are currently engaged in a massive lobbying effort to recover the excise tax benefit derived from production in our up-country plants. This issue is still being debated in the courts and with the government. ... In Brazil, we led the industry efforts to obtain an executive decree which enabled the removal of the price from the cigarette pack stamps thus allowing for the prompt implementation of price increases. ...

In some markets we were able to forestall tax increase proposals. In Uruguay, however, the excise tax was increased from 60% to 63% on price to public. ...

In the area of anti-smoking legislation efforts have been intensified by governments to restrict smoking in public places and further limit advertising. ... We have been able to challenge

successfully anti-smoking proposals in Costa Rica, Guatemala, and Paraguay, but it is clear that the tendency to restrict smoking in public places will continue to prompt legislation throughout the region. ...

In another project, under the guidance of Shook, Hardy and Bacon, [US-based law firm] and under the sponsorship of the Interamerican College of Physicians and Surgeons, a survey is being conducted to determine the health priorities of the region according to the deans of medical schools. We expect the results of the survey will demonstrate that the concern with smoking in Latin America as a public health hazard is the result of outside pressure and not a primary item of concern among the medical community. If the study confirms our suspicion, we expect the Interamerican College of Physicians and Surgeons to amply publicize these findings. ... While we can anticipate that economic and anti-smoking pressures will intensify, we are continually developing lobbying strategies and coalitions with those who share an economic interest with us, and plan to stay one step ahead of our adversaries.¹⁷ [Original in all caps]

Similarly, BAT plans and reports also address smoking and health issues (anti-tobacco legislation, pressure groups, second-hand smoke and smoking restrictions ("ETS"), inter-governmental organization activities of the type developed by PAHO), corporate issues (taxation, environment, corporate image, regional trading), and media (contacts, special events, media analysis).^{18,35} The conclusions of the December 1990 BAT "Smoking Issues" meeting highlighted in particular the importance the industry attached to growing awareness of second-hand smoke as a health issue:

1. The main issue facing the industry in South America, now and in the future, is ETS/ public smoking restrictions/social unacceptability of smoking. The issue of active smoking is, however, still of major importance. The influence of anti-smoking stories in international media (particularly those emanating from the U.S./England) and of WHO/PAHO must not be underestimated in this context.
2. A key element in any public affairs programme is the maintenance of a good corporate reputation. Without this, communication on other issues will be adversely affected.
3. Environmental issues are likely to be of importance in the future and companies must ensure they are not open to criticism on these grounds.²¹

To ensure company-wide consistency in addressing these issues, BAT held regular meetings with the general managers of the Latin America operating companies.^{36,39} Sharon Boyse, of BAT Public Affairs, was not able to attend the October 1991 meeting and sent David Bacon in her place.⁴⁰ A memo from Boyse to Bacon, dated October 11, 1991,⁴¹ was apparently intended to bring him up to speed on the issues to be discussed at the meeting. This document provides much insight into the

regional priorities of BAT headquarters, as well as the firm's assessment of business in Latin America from a public affairs perspective.

... 2. Public Affairs/ Smoking Issues

- a. ETS—all companies have a plan for ETS except Argentina. All companies are contributing towards use of the scientific resources provided by Covington & Burling and the programme is going well. ... So far C&B are delighted with the selection they have, and think they're potentially the best group around the world. [See Chapter III]
- b. Legislation—Chile have done extremely well in combatting most of their proposed legislation, but I think they're still facing a sponsorship ban. They are working on it and in any case the reading of the bill has been postponed to next year.

The Venezuelan [sic] legislation has now been seen and is totally mad—you are even forbidden to smoke in front of a pregnant woman. They are currently organising their response and Ernesto by and large keeps us informed.

The Argentinian legislation—who knows? Their communication techniques are somewhat lacking. Other than their monthly S&H [Smoking & Health] reviews, which usually do not appear and if they do they are late, they don't keep us informed about much.
- c. Media programmes—we have now carried one out in Venezuela [sic] which was a success, and on November 4 will be carrying one out in Argentina for Argentina, Brazil, Chile, Uruguay and Paraguay (the latter 2 are PM). The aim with this one is to partially set the scene for the World Conference next year.
- d. World Conference, Buenos Aires, end of March 1992: Argentina have a plan but I'm no longer confident that they will be able to influence the media output as they refused to participate in the second part of the Paul Dietrich proposal, which was essentially to persuade some journalists to go along to the press conferences and harangue people like [former U.S. president] Jimmy Carter about health priorities. That would have influenced coverage and we were going to arrange for training in how to disrupt a press conference—but they declared (as usual) that this wouldn't work in Argentina.⁴¹

The exact reasons for the Argentinean refusal to participate in the "Dietrich proposal" are not known, beyond the fact the tobacco industry thought it could be counterproductive.⁴² It is noteworthy that the Paul Dietrich identified by Boyse is an American lawyer who received substantial funding from the tobacco industry⁴³⁻⁴⁵ and who long attacked the priorities established by PAHO and WHO.⁴⁶

The 1994-1996 PMLA Strategic Plan shows that PMI considered some policy directions to be not only a threat to the overall industry, but also to its competitive advantage with BAT. To gain share of market (SOM), PMI planned to "maximize tobacco/food synergies: sales

and distribution, scale and management" as well as "(b)uild core brands in medium/low price segment. Ferociously protect key medium/low price domestic brands."⁴⁹ PMI's perceived threats at the time were "TV advertising restrictions in BAT dominated markets. Increased taxation." Advertising restrictions would take away the firm's ability to encourage utilization of its brands,⁵⁰ causing PMI concern that restrictions would further entrench BAT's position as market leader and cost PMI a relatively larger number potential brand switchers and new customers. Other PMI plans and documents reinforce the overall strategies and concerns described above.⁶⁰⁻⁷²

In addition to strategies directly related to taxation, health and marketing issues, the tobacco industry also developed plans aimed at improving its corporate image by making itself an integral part of the communities in which it operated. The goal was—and is—to buy good will and build a supportive constituency that, when necessary, would assist the industry in defending its interests. This same strategy is executed by the industry on a worldwide scale.

The documents analyzed provide several examples of plans to enhance corporate appeal and demonstrate that the industry has access to government officials at various levels.^{70, 73, 74} For example, the 1994-1996 plan for Tabacalera Hondurena, S.A., Honduras, describes how the company would promote corporate image through support of community development programs, continued contact with government officials and media, and a donation to the School of Journalism.⁷⁵ In Chile, Empresas CCT would provide university scholarships and sponsor primary education.⁷⁶ In Argentina, Nobleza-Piccardo made a public donation to the Ministry of Public Health for the campaign against cholera.⁷⁶ In the United Kingdom, BAT, as part of its corporate image plan, provided support for a "Heads of Mission Gala Dinner" organized by the Latin American and Caribbean Cultural Society.⁷⁷⁻⁸⁴ Philip Morris International developed similar "corporate image" tactics.⁸⁵

LOBBYING

The lobbying of both government authorities and of international organizations is an integral part of the business plans of both BAT and PMI. As described in various documents,⁸⁶⁻⁸⁸ lobbying activities focus on the three main per-

ceived threats mentioned above: marketing, taxation and smoking in public places.

Lobbying of Governments

The tobacco industry is known to have direct lines of communication to senior government officials in many countries. Latin America, it would seem, is no exception. A 1993 BAT public affairs review describes its Guatemala affiliate's relations with the government as "Very good relations. General Manager and Public Affairs Manager know most Officials and Ministers personally. This includes the President and Vice-President of the Republic."^{88b} Similarly, in Honduras "The government has an excellent opinion of TAUSA [BAT affiliate]. The President of the Republic visited us some months ago and expressed his sympathy for the way we conduct business. When PA Manager has asked for benefits from the Government, the answer has usually been positive."^{88b}

In Nicaragua, the industry lobbied successfully on taxation and to derail a ban on smoking in public places.^{89,92,93} Another set of 1994 documents describes in great detail the industry's efforts to oppose tobacco control proposed legislation in Venezuela. BAT and PMI were united in opposition to proposed comprehensive measures that would ban direct and indirect advertising and promotion (advertising on TV and radio had already been banned in 1989); ban smoking in public transportation, health care facilities and other indoor spaces; restrict smoking in public access areas in other private and public places; establish youth access measures, and provide strong language for health warnings. The companies would counter the text of the proposal and suggest weak, alternative measures, including a voluntary code for cigarette advertising.⁹⁴⁻¹⁰⁰ It is not clear from the documents how successful the industry was, but Venezuela has had strong tobacco control legislation in the past.^{101, 102} The Venezuela legislation proposal documents also reveal the level of control exercised by BAT headquarters over local operating companies with respect to the smoking and health issue. Comments on proposed health warnings were provided by headquarters to ensure they were consistent with the company's position of denying a causal relationship between smoking and illness, and denying the addictive power of tobacco.⁹⁴⁻⁹⁹ The BAT documents make clear that submissions to governments by local operating companies needed to first be approved by headquarters in the UK.¹⁰³

A key lobbying tactic, consistent with world-wide promotion of voluntary industry codes of "self-regulation,"

was to promote adoption of the "model" legislation commonly crafted to counter all initiatives that could affect corporate profits. For example, a 1992 strategic plan for TANIC, BAT's Nicaraguan affiliate, states:

The anti-smoking lobbying is at present small in Nicaragua but there are indications that it will gather strength as the country's economy develops. There is no reason to believe that Nicaragua will not follow the example set by other countries, and prepare to enact legislation restricting smoking in public places, restricting advertising etc. Experience elsewhere has shown that it is desirable to be ahead of the game and try to contain legislation rather than repair damage after the event. ... TANIC must be in a position to influence ... legislation to protect or promote its interests.¹⁰⁴

The industry's legislative proposals, like its voluntary codes, typically contain minor concessions that the industry believes will not significantly impact tobacco sales, and are intended solely to build corporate image and, most importantly, block or at least delay meaningful regulation. The voluntary codes have the added benefit to the industry of being completely unenforceable. Analyses of tobacco industry self-regulatory efforts have found that the tobacco companies routinely violate even the weak and narrow restrictions they have established for themselves.¹⁰⁵⁻¹⁰⁷

An example from PMI is a proposal to draft "tobacco advertising legislation consistent with the industry self-regulation code and PMI cigarette marketing code" in Argentina.⁹⁹ Several of the BAT documents describe these lobbying efforts in more detail. For example, a 1991 document describes how Chiletobacos, with the help of the Chilean Advertising Agencies Association, successfully lobbied to water down proposed tobacco control legislation to restrict advertising and marketing.¹⁰⁸ And minutes of a 1994 Regional meeting describe efforts to pass legislation that would prohibit tobacco-related bills being adopted by Argentina's various provinces.¹⁴ (Preemption of local level tobacco control activity is another tobacco industry strategy to derail public health efforts.¹⁰⁹)

Lobbying of International Organizations

In addition to country-level lobbying, the tobacco industry also attempts to influence decision making at the international level.⁴³ In Latin America, the companies would jointly lobby those organizations that could have a direct impact on regional health and economic policy-making. For example, the industry perceived negatively the influence that WHO and PAHO could have in health policy in Latin America, and sought to influence these organizations. A 1992 document detailing the plans

of BAT's Public Affairs Regional Group (PARG) for Latin America describes the proposed lobbying of international organizations:

CONTACT/LOBBY INTERNATIONAL ORGANIZATIONS

The PARG promotes the re-activation of industry presentations before the Latin American and Caribbean Group (GRULAC) and FAO with the assistance of BATCo's Government and Corporate Relations Manager. As in the past, for this initiative to be successful, it requires the participation of PMI and all BATCo. and BAT Industry (Souza Cruz [Brazil]) companies in the region.

The main objectives of this initiative are:

1. To influence the vote of diplomatic delegations participating in the International Organizations at Geneva. So as to counteract propositions against the tobacco industry, specifically the ones proposed at OMS [WHO] General Assembly.
2. To ensure that FAO's Review and Outlook Report includes tobacco as a specific topic; and continues to allocate resources for specific research and forecast of tobacco activities.³⁰

BAT'S PUBLIC AFFAIRS RESOURCE GROUP (PARG)

Because of BAT's organizational structure, the parent corporation lacks public recognition in the region and most of its operations were carried out by local subsidiaries. In contrast, the PM name was widely recognized, with its activities more centrally coordinated through its Latin America corporate affairs unit. BAT perceived its lack of corporate recognition and coordination as a threat to market dominance, and a weakness that PMI was ready to exploit. BAT hoped to improve the coordination of regional activities through the creation of the Public Affairs Resource Group (PARG). In addition, BAT believed that better coordination of the Group's companies in the region would leave it in better position to influence trade agreements under development at the time (Mercosur, Andean Pact, etc.).^{30, 114-119}

Industry documents reveal the discussions that took place to determine the role of this regional coordination effort and to review public affairs issues in general.¹²⁰ Ed Grant, from Nobleza-Piccardo, perceived the following as the main areas where regional cooperation and coordination were needed:

smoking and health controversy, ETS, influencing politicians and journalists, taxation issues, lobbying international organizations such as FAO, WHO, UNESCO, and the IMF, the supervision of adver-

tising to be used outside the country in which it was produced in order to avoid controversies, relationship with NMAs and with competition in general.¹²¹

The minutes of a 1992 General Managers (GM) meeting identify the priorities established for regional coordination:

... there were a number of issues the group agreed would be the subject of regional discussion and action. ... The major points are:

1. The establishment of the Public Affairs Resource Group (PARG). It was agreed to review and resolve the methods of communication within the group by the end of June.
2. Regional issues assessment. It was agreed that the group would review and document the likely issues affecting the South American region so that action could be agreed immediately after the broader issue of regional responsibility and business direction is resolved.
3. PA role in new regional trading arrangements. It was agreed that basic information on countries in the new trading blocks would be assembled, such as key contacts for future lobbying activities.
4. Courtesy campaign. An evaluation of the likely success of a courtesy campaign, similar to that running in Belgium, would be carried out.
5. ETS consultants. An evaluation would be made to increase the effectiveness of scientific consultants in the region.
6. BATCo in the region. A conference/seminar would be conducted to brief the media on the size and scope of BATCo's activities in the region. Media briefings with PMI would also continue and support would be given to nominating attendees at the Madrid regional journalists' seminar in December.
7. Contact with WHO/FAO. A programme would be developed to establish and maintain contact with WHO and FAO representatives in the region.
8. Corporate image. A study of the BATCo's corporate image in the region, compared with PMI would be proposed.
9. Ministerial liaison. A programme to send delegations of Ministers and MPs on familiarisation trips to the UK would continue.
10. Regional video. A video, promoting BAT in the region was proposed.
11. Opponents audit. An audit of anti-smoking groups and activities in the region would be carried out.¹²⁴

Thus, PARG's role would be to address "anti-smoking pressure" and to monitor PAHO activities, including its initiative "to fund healthy community pilot programs with municipal authorities, which include smoking cessation seminars". PARG would also coordinate the exchange of information related to regional trade agreements and to the development of "courtesy campaigns" (see Chapter III).¹²² Those involved with PARG met regularly to exchange information and report back to BAT.^{18, 117, 123-132} PARG would also be responsible for the following efforts:

THE ANATOMY OF A TOBACCO LOBBYING CAMPAIGN: THE PRESIDENTIAL VETO OF THE ADVERTISING BAN IN ARGENTINA

In 1992, then-Argentinian President Carlos Menem vetoed the "Neri Bill", legislation that would have "forbidden all cigarette advertising and promotion, restricted smoking in public or enclosed areas, and required extensive disclosure of ingredients and additives."¹¹⁰ This was an important victory for the tobacco companies, which had lobbied heavily against the bill, showing extreme concern that Argentina might enact comprehensive legislation.¹¹¹

The Argentinian veto provides a classic example of the strategies and techniques that have made the tobacco industry so successful at derailing attempts to regulate tobacco. The central strategies and goals used by the industry world-wide are: framing of the debate; mobilization of the media and of decision makers; direct lobbying of government; proposal of weak alternatives to forestall further regulatory attempts; and avoidance of a negative "domino effect" at all costs.

The Neri bill had been approved by the house, but had become dormant, so the industry was caught by surprise when the Senate approved it. A memo faxed from Ed Grant of BAT Argentinian affiliate Nobleza-Piccardo informed BAT's Keith S. Dunt of the Senate approval. Grant stated that the next step for BAT would be to attempt to "obtain a Presidential veto" although he did not "pin too much hope on this."¹¹² Handwritten notes, presumably by Dunt, explained that a ban on all advertising, sampling and promotion was a key issue and that there should be lobbying against banning smoking in indoor places. The handwritten notes also stated

N.B. This [approval by the Senate of the bill] is almost unbelievable. I had been advised this was dormant in the Senate ... but L.A. style 100 bills passed in one night!

- *What lobbying - really active lobbying - has been done by Basso [General manager of N-P] over last 3 months.*
- *Is N.M.A. really having access to Gov't not just representatives [unreadable]*
- *Can we avoid worst at this late hour by voluntary code; how politically fragile is Menem at this moment?*
- *Use of international agencies to lobby for freedom of speech, etc.¹¹³ [Emphasis in original.]*

The lobbying plans were put into practice.

Framing the debate

To hope for a reversal in the legislation at such a late date, it was critical that the industry frame the debate in terms that would resonate with the public and that would bring on board strong allies. In an extensive and detailed case analysis of the company's lobbying effort,¹¹³ Philip Morris describes the messages developed at that time, which are the same ones the tobacco industry still uses to communicate to the its opposition to any kind of advertising restrictions:

- ...1. *The Neri law was an unconstitutional limitation of freedom of commercial speech*
2. *There is no evidence which shows a connection between cigarette advertising and consumption*
3. *Cigarette advertising is designed to preserve brand loyalty and promote brand switching ...¹¹⁴*

The primary goal was to sidestep the issue of health altogether; however the industry recognized the need to deny the evidence showing the link between tobacco promotion and cigarette consumption.

Mobilization of the media and decision makers

The tobacco industry mobilized its allies in the advertising industry and generated many letters to President Menem and other Argentinian Government officials and legislators. Letters from the World Federation of Advertisers and the International Advertising Association argued that advertising bans were an unnecessary infringement on freedom of speech and parroted other tobacco industry arguments.¹¹⁵ Support also came from the Interamerican Press Association and the Interamerican Society for Freedom of Commercial Speech. Industry consultants were also used in the lobbying effort against restricting smoking in public places. (See Chapter III)

The Philip Morris case analysis demonstrates the importance of building alliances early on in the campaign.

One of the "main actions taken" was

... Tobacco industry organized a closed door working session with media owners, sports figures, advertising executives, and other interested parties to initiate a campaign in favor of a presidential veto. ...¹¹⁶ [Original in all caps]

Lobbying of government, alternative proposals, and the domino effect

In addition to mobilizing journalists, the industry and its allies lobbied members of the government directly to push for a veto. A key concern of the industry was that approval of the Neri Bill would have a "domino effect" and lead other countries in the region to ban advertising and to adopt other legislative tobacco control measures.¹¹⁷ The history of tobacco control shows that this domino effect is real: once one country initiates a measure, other countries learn from and replicate it. Even after the veto, the industry was aware of the need to pre-empt further interest in serious tobacco regulation. It started to draft a legislative proposal consistent with the industry's self-regulating code^{118,119} in order to prevent "additional extremist legislation" from re-emerging.

The case study's conclusions and "lessons learned" provide an anatomy of the tobacco industry's continuing strategies to oppose tobacco control legislation:

- *...the industry remains vulnerable to the personal agenda of individual congressmen.*
- *Advocates for severe restrictions on cigarette advertising and public smoking are well integrated into the local political structure and financed from local and international sources.*
- *When a crisis situation emerges, such as the Argentine's Congress' approval of tobacco advertising ban, a rapid response is essential. A contingency plan which clearly defines the role and responsibilities of each affected party is a prerequisite to effective,*

broad based counteraction. Key message points must be prepared in advance of a crisis.

- *The industry must appoint a spokesperson to articulate consistently the key message points to the media and, ultimately, the public.*
- *Credibility with the press, which is vital for the industry to communicate its message to the public, is earned through long term relations, nurturing and respect.*
- *A quick and effective response is facilitated by having a prepared set of arguments, international precedents and legislative proposals.*
- *The industry and the advertising community must be prepared to offer viable legislative alternatives to the Congress and for Executive Branch. In the absence of some constructive counter-proposal, additional extremist legislation is likely to re-emerge.*
- *The impact of anti-tobacco legislation may have a domino effect in neighboring countries. Congressional approval of restrictions such as those contained in Argentina's Neri Bill can inspire other governments in the region to adopt similar legislation. Similarly, a presidential veto in one country can influence initiatives in nearby countries. For example, a long-standing proposal to severely restrict tobacco advertising in Paraguay was vetoed by the Senate in the week following President Menem's veto of the Neri Bill. In the same week, a proposal of the same nature in Venezuela's Congress was temporarily shelved. Regional Economic integration movements, such as MERCOSUR, can accelerate the domino effect.*
- *Advertising and sponsorship activities are not only marketing tools; they create allies which share the industry's interests and can be counted on in the event of a crisis similar to the one in Argentina.*
- *It is vital to have a strong group of Corporate Affairs and Advertising Executives, such as the team in Argentina, to oppose efforts to restrict the industry's ability to advertise."¹¹⁹ [Original in all caps]*

...Regional Journalist conference/seminar (Batco—PMI)

The value of this project for the regional Op Co's was noted. The original concept of a seminar to project Batco's image in the region was modified to comprise a more practical objective. In principle, a Batco journalist seminar would include three main points: 1) Batco in the region (probably Souza Cruz would have to be included); 2) Contemporary issues of interest for the journalist (ei. [sic] Press freedom by the Latin American Editor of the Wall Street Journal); 3) Smoking and health issues. ...

6. Contact/lobby international organizations

Past experience of said contacts (Argentine experience) was fully discussed, specifically with FAO and the Latin American Group (GRULA). The importance of reactivating this line of action was noted to be of utmost importance due to the potential of influencing outcome of propositions made by WHO during their General Assembly at Geneva as well as the FAO reports on the importance of tobacco in the region. ...

"Border business" was discussed and agreed that K. Dunt and D. Bacon will introduce this issue in the agenda by firstly developing a position paper to be presented for review at the appropriate levels in Batco (and probably PMI depending on the Groups subsequent strategy). The LA—PARG and PA Batco will take on the issue based on the outcome of the meetings in Batco. ...

9. Ministerial Relations

It was decide [sic] to conduct the ministerial liaison in an individual basis due to the potential risk of government officials being exposed jointly to industry information which might trigger discussions of sensitive issues such as excise tax and border business. ...¹²²

COURTING THE MEDIA

As described throughout this document with regard to particular issue areas, the tobacco companies view the media as a critical target for their messages. Given the "controversial" nature of tobacco products, media activities needed to be comprehensive, direct, and appealing if the companies hoped to get positive coverage.

Media Symposia

One of the joint activities developed by PMI and BAT (sometimes in conjunction with other multinationals operating in the region) was to stage symposia ("seminars") targeting media professionals.^{18, 42, 133-136} Anticipating growth in public concern over smoking and health issues, the goal of the symposia was to tilt regional journalists' opinions in favor of the industry. This joint, regional campaign, subsequently joined by BAT, was the expansion of an existing PMI initiative that regularly conducted symposia for Latin journalists in Madrid.^{30, 117, 137, 138} These symposia were conducted throughout the region and were based on a model the industry used in many parts of the world, often with the same speakers traveling from country to country and region to region.^{134, 139-142}

With some allowance for local variation, the symposia's basic program covered topics related to smoking and health, second-hand smoke, freedom of speech and WHO priorities. The presentations were heavily biased towards those that reinforced standard industry claims: that there was no established link between smoking and disease; that arguments against second-hand smoke were politically motivated and demonstrated a misuse of risk assessment theory; that advertising restrictions and bans constituted an assault on freedom of speech; and that tobacco control constituted a misplaced priority for WHO.

The companies made ample use of their cadre of international consultants for these symposia, but relied on internal staff for the smoking and health presentation. They acknowledged that, in the mid-1990s, there was no one they could rely on to argue the industry's claim of insufficient scientific proof of the causal relationship between smoking and a host of diseases.^{42, 143} (The companies' positions have changed somewhat since then. The Philip Morris website includes a statement noting the company "agree(s) with the overwhelming medical and scientific consensus that cigarette smoking causes lung cancer, heart disease, emphysema and other serious diseases in smokers."¹⁴⁴ BAT is a little less forthcoming, offering this statement on its corporate site: "Statistical studies have reported that, along with the pleasures of smoking come real risks of serious diseases such as lung cancer, respiratory disease and heart disease. It is also true that many people find it hard to quit smoking. The risks vary by the amount smoked, being highest in those that smoke for more years and smoke more cigarettes per day. What's more, the risks reduce in groups of people who quit smoking and the only way to be certain of avoiding these risks is not to smoke."¹⁴⁵)

A 1993 letter from PMI to BAT lists the proposed topics to be covered: freedom of commercial speech, ETS, active smoking, economic impact of tobacco, indoor air quality and WHO. The letter also proposes speakers and discusses their qualifications. As with most public relations events, the proposed speakers mostly represented organizations not directly affiliated with tobacco companies, or front groups in which the industry role was hidden. They included representatives of the International Advertising Association ["Mr. Mendiola... could be a very credible speaker in light of the organization that he represents"], the Sociedad Interamericana por la Libre Expresion Comercial, and The Advancement of Sound Science Coalition,¹⁴² (an industry front group in the

United States¹⁴⁶). On indoor air quality, the letter states that Healthy Buildings International (HBI), an industry consultancy firm, “may be a problem.”¹⁴² No reason is provided, but HBI’s regional and global links to the tobacco industry were becoming increasingly well known, and this may have created corporate discomfort.¹⁴³ (See Chapter III)

Table 2.1 lists some of the speakers for a few of these symposia. Journalists from several countries were invited to attend. These symposia generated press coverage and provided the industry with another forum to continue its disinformation campaign and reinforce its denials about the harmful health effects of smoking, addiction, and second-hand smoke.^{50, 147-149} BAT’s Boyse considered these symposia so successful she suggested they take place every year. In a 1992 letter to Roberto Freire of Costa Rica’s Republic Tobacco Company, Boyse stated:

... In terms of subject matter it seemed to me that the issues we covered were the correct issues. ... In particular, the active smoking issue was well received, in spite of the concerns beforehand from your local PM company. Every time we cover this issue it seems to me that the response is so positive that we really cannot afford to leave it out and risk our credibility.

My recommendation would be that you do this in the region, if possible, every year. Issues are beginning to emerge in virtually every country now, and for most countries there is still the possibility of influencing journalistic opinion before the public debate has reached such a stage that everyone’s mind, including the media’s, is already made up. In the South American countries this is certainly the aim, and in many cases they are hoping to support both a country-specific briefing and a regional briefing each year. I would therefore recommend, in any regional action plan for 1993, that companies budget for another such briefing around the same time of year.¹⁵⁰

The budgets for these symposia varied, and the costs were shared by PMI and BAT’s local affiliates. For example, costs for the 1992 Costa Rica symposium were estimated to be at least \$60,000,¹⁵¹ and approximately \$90,000 for the 1994 Miami Seminar.¹⁵² Countries would often conduct a “local” seminar with a host co-sponsor. For example, a 1993 Chilean seminar was co-sponsored by the Consejo Regional del Colegio de Periodistas de Chile and, in 1994, Souza Cruz organized a media seminar co-sponsored by the Brazilian Press Association (ABI) in Rio de Janeiro.^{124, 153}

The documents describe in great detail the organization of a jointly sponsored April 1994 PMI/BAT journalists’ seminar that was originally planned for Aruba, but ultimately held in Miami. The countries involved were Argentina, Brazil, Chile, Colombia, Ecuador, Uruguay and

Venezuela.^{117, 142, 152, 154, 155} (Table 2.2 lists the journalists that attended the seminar.) These documents provide intriguing insight into the companies’ ability to collaborate even when disagreements persist. However, it is also clear that BAT, with its predominant SOM in Latin America, felt itself disadvantaged by having the meeting in PM territory, in Miami. BAT also thought the United States was too “anti-smoking”, and was concerned about exposing Latin American journalists to such a “climate”, as described in the evaluation by Jorge de Barros Franco from Souza Cruz:

I think that the USA is not the best country to take journalists to because we expose them to a much more anti-smoking environment that we would normally have in our countries. Another remark about the USA is the fact that we are taking journalists into the Marlboro country, what means to reinforce PMI’s normal behavior of trying to take advantage of every chance and pretend they are owners of the show and more important and better than we are. ...¹⁵⁴

The evaluation of the Miami Seminar reveals that the presentation on WHO’s priorities was sensitive, given the high regard the organization enjoyed in the region. Boyse noted that, “Anderson/WHO it was generally felt that we should not be too anti-WHO in this presentation, but make mention of the good things WHO is doing in the region. This is easily achievable by briefing the speaker in advance. ...”¹⁵⁴

Boyse’s response to one of the individual comments, by Ernesto Antich of BAT’s Venezuelan subsidiary Bigott, defines some of the inter-company concerns raised during the planning and execution of the seminars. Its most striking revelation is how difficult it had become for the companies to find any credible spokesperson willing to present their position on smoking and health:

... Smoking and health: we do not have any external consultant willing to do this, let alone a Spanish speaker. Similarly, it needs at least some scientific qualifications to give it standing, and therefore I do not accept that we can simply let a Spanish speaker read it out and we be available to answer the questions. Previous opinion on this has been that its better to do the presentation in Spanish even if you’re obviously not a native speaker (as long as it’s comprehensible, which it seems by the amount of questions and interest afterwards that it was) rather than rely on the vagaries of translation—especially on such a sensitive topic. This of course is what Howard Bell did. I would be much happier doing it in English, I can assure you!¹⁵⁴

Although most of the documents discuss media seminars carried out for Latin American countries, BAT proposed seminars and individual journalist briefings in the English-speaking Caribbean as well, although the documents analyzed do not include reports on the outcomes. A pro-

**TABLE 2.1 PARTIAL LIST OF SPEAKERS
AT DIFFERENT JOURNALISTS' SEMINARS.***

Name	Affiliation	Seminar/year	Topic	Background
Alpuente, Moncho	Club de Fumadores por la Tolerancia	Bariloche '91 Venezuela '91	Smokers' rights	Spanish author
Anderson, Digby	ARISE (Associates for Research Into the Science of Enjoyment)	Miami '94	Who benefits from WHO?	Sociologist and Journalist
Basso Dastugue, Jorge	Nobleza Piccardo	Miami '94	Economic Impact of the Tobacco industry	Director, Asuntos Empresarios (Business Affairs)
Bell, Howard	Wiley, Rein & Fielding (DC law firm)	Miami '94	Threats to freedom of speech	Former president, American Advertising Association
Boddewyn, Jean J.	IAA (International Advertising Association)	Bariloche '91 Venezuela '91	Advertising restrictions and smoking: The strange connection	Professor of Marketing & International Business, Baruch College, CUNY
Borelli, Tom	PM	Venezuela '91 Miami '94	ETS/EPA/politicization of ETS	Manager of Scientific Issues
Boyse, Sharon	BAT/Brown & Williamson	Bariloche '91, Venezuela '91, Miami '94	Tobacco and Health	Director of Scientific Issues, B&W
Carruthers, Garry	The Advancement of Sound Science Coalition (TASSC)	Miami '94	Guaranteeing scientific process integrity	Former New Mexico governor
de Krivoy, Ruth	Central Bank, Venezuela	Venezuela '91	Economic impact of the tobacco industry	Former President, Central Bank
Dietrich, Paul	Institute for International Health & Development (IIHC) / PAHO "Communicating for Health" Development Committee	Bariloche '91 Venezuela '91	WHO and the problem of world health	US attorney
Fumento, Mike	Hudson Institute	Miami '94 (scheduled, didn't appear)	La Ciencia bajo Fuego (Science under fire)	Science writer
Graffe, JE [José Elías]	-----	Venezuela '91	Origin and reason for movements of opinion	Philosopher & economist
Holcomb, Larry	Holcomb Environmental Services	Venezuela '91	ETS & Health; IAQ	Environmental toxicologist; Former EPA employee
Monasterios, Ruben	-----	Venezuela '91	Tobacco and sensuality	Venezuelan artist
Proctor, Chris	C&B, Georgetown University	Bariloche '91	Indoor Air Quality	Current Head of Science and Regulation, BAT
Reichard, Hector	Reichard & Escalera, Attorneys and Counsellors	Miami '94	Fear of living/Fear to live	Attorney
Robertson, Gray	President, HBI	Costa Rica '92	Indoor Air Quality	UK Chemist
Trull, Armando	UPI-CBS Spanish Radio, Univision News	Miami '94	Media and the White House	Affiliates Correspondent
Vives, Jorge	Executive vice-president, Massalin Particulares	Miami '94	Economic Impact of the Tobacco industry	Head, Tobacco Industry Chamber, Argentina
Witorsch, Philip	International Center for Toxicology and Medicine (ICTM)	Bariloche '91 Costa Rica '92	Health Effects of Indoor Air Pollution	Physician
Witorsch, Ray	Medical College of Virginia, Virginia Commonwealth University	Costa Rica '92	ETS	Physician, Professor of Physiology

* For illustrative purposes. Far more seminars were conducted than are listed here.

posal for a seminar to potentially be held in Jamaica in early 1994 identified an objective similar to those of the Latin American seminars. The same objective was identified for individual journalist briefings proposed for Barbados and Trinidad, among other countries:

To inform local media representatives of the company's position on smoking issues; to persuade them that we have a credible and interesting response to the claims that are made about our products, and that our position is based on independent research and thus supported by independent experts. **More specifically, to persuade media to become allies in lobbying against smoking restrictions.** [emphasis added]¹⁵⁵

Global Messages, Delivered Locally

In addition to the journalists' symposia, the tobacco industry developed other strategies to co-opt the media, thus continuing its efforts to mislead the public and policymakers on tobacco and health issues. As awareness of the deadly effects of smoking and second-hand smoke (SHS) grew, both companies provided local managers training on how to address the media and how to respond to questions related to the deleterious health effects of smoking and SHS. These sessions prepared local managers to toe the corporate line and repeat the industry mantra on these issues.^{21, 70, 117, 136, 156-165}

A joint media strategy was to disseminate the press articles written by the tobacco companies and their consultants.^{76, 134, 166, 167} The technique is explained in this 1991 memo from BAT's Boyse to several of the Latin American company managers:

At various briefing sessions in both South and Central America this year we have discussed the possibility of having articles written in a suitable style and on suitable issues that could then be circulated to operating companies and hopefully, through their contacts, printed in the local press.

It was agreed that for the purposes of this region it would probably be most suitable to have a freelance journalist based in the USA to write these articles. Philip Morris have therefore been looking for a suitable Spanish-speaking journalist for some time now, and believe that they have found one that may be suitable for us.

Copies of the first articles that were drafted by this journalist are enclosed: two short pieces: one newspaper story and one editorial, and one longer feature piece, 'Historia de la evaluación sobre el riesgo en el fumador pasivo'. [A history of the evaluation of the risks of passive smoking] I would be grateful if all companies could let me have comments on these articles as follows:

- Is the material and style of writing suitable and appropriate for the region's press
- Are these the kinds of articles that companies feel they could pass on to local media contacts for possible printing ...

Philip Morris has also circulated these articles to their local staff and so where they are also present in the market this can be discussed as an industry issue.¹⁶⁶

TABLE 2.2. JOURNALISTS AT THE 1994 MIAMI SEMINAR (22 JOURNALISTS)

Country	Name	Institution
Argentina	Adelina (Mona) Moncalvillo	Journalist and writer, "Poder Ciudadano" (organization in defense of democracy and human rights) and FM Palermo
	Luisa Adela Valmaggia	Gerencia de Noticias de Radio Rivadavia
	Sandra Jacobson	Cronista de America 2 TV
	Laura Termine	Likely to be Diario P12 (Buenos Aires)
Brazil	Martha San Juan	Editorial Director, Galileu
	Claudio Csillag	Executive editor, Revista Brasileira de Psiquiatria
Chile	Lilian Duery	El Mercurio, Santiago
	Raul Rojas	La Tercera
	Bernardita del Solar	Director, Qué Pasa (weekly)
	Maria del Rosario Larrain	[We were unable to identify]
	Blanca Bulnes	TV Channel 13
Colombia	Jose Triana	[We were unable to identify]
	Hector Mario Rodriguez	Author, Los piratas de la bolsa, Ediciones Plus, Bogotá
	Maria Alejandra Castellote	[We were unable to identify]
Ecuador	Jorge Ortiz Garcia	[We were unable to identify]
	Andres Carrion Mena	[We were unable to identify]
Uruguay	Cristina Canoura	Freelance journalist, Montevideo
	Andres Falca	[We were unable to identify]
	Carlos Lopez	[We were unable to identify]
Venezuela	Mercedes Martinez	El Diario de Caracas
	Carmen Carrillo	[We were unable to identify]
	Yajaira Hernandez	[We were unable to identify]

Part of the rationale for this strategy was to counter what was perceived as the influence of the international media in Latin American outlets, where news had begun to appear more often concerning tobacco control advances in the United States and elsewhere.

Journalists' Trips

Both companies invited journalists from Latin America visit their corporate headquarters. A 1994 proposal from Corporate Communications to BAT, outlines the objectives of the "proposed visit to the UK by senior editors and journalists from South America" as:

to limit the damage to, and even enhance, BAT's tobacco business in South America through media comment and coverage. Secondary objectives ... include:

- establishing better understanding by the media of the other sides of tobacco issues
- establishing better understanding by the media and government about BAT's business and its contributions to local communities and economies
- establishing better personal relationships with the editors and senior journalists of the South American media.¹⁶⁸

The same proposal, under the sub-heading "Who is going to pay for the trip?" displays the industry's keen understanding of the need to kill potential critics with kindness, ensuring they don't "bite the hands that feed them":

Some media have a policy that they do not accept all expenses paid trips for their journalists as this could be seen to compromise their independence. Therefore it may well be that the newspaper or programme insists that it has to pay at least some element of the cost, and to do this it must be totally convinced that the trip is genuinely worthwhile and not just a junket or a pure publicity exercise. In this respect, freelancers can be a better bet as they are more open to having their trip paid for, and they are less likely to 'bite the hands that feed them' as they will want to safeguard their place on any future trips.¹⁶⁸

The proposal then details the strategies required to make the trip an appealing one, plus how to achieve a balance between providing information and promoting BAT's interests:

While time devoted to pure BAT promotion should be kept to a sensible level, the other activities in the trip programme should reinforce the messages of that promotion by focusing on tobacco issues. Even the visit to Wimbledon can be used to demonstrate some of the benefits and difficulties of tobacco sponsorship.¹⁶⁸

ALLIES OR COMPETITORS?

Details of the media symposia and the joint excise tax lobbying efforts, as well as the ETS Consultancy Project (Chapter III), demonstrate that BAT and PMI are capable of close collaboration to safeguard mutual interests, despite their rivalry in the Latin America market. They remain competitors, however, and often resort to "price wars"—significantly lowering the price of a specific brand to gain share of market—and other strategies to eat away at each other's SOM.

BAT has enjoyed regional market dominance for decades, a position constantly threatened by PMI. While PMI had been using a coordinated effort to gain market share through its Marlboro and L&M brands, BAT was developing strategies to stop PMI's advance.^{6,7,169} As stated in the minutes of the 1991 BAT GM meeting:

... Competitive activities throughout the region were reviewed and the following conclusions drawn:

- BAT dominance in the region is at risk.
- PM is progressive, aggressive and a greater threat than in the past. ...
- There are indications that PM is seriously considering a renewed attempt to re-enter the Chilean market, having withdrawn its licences from Facil
- PM is well placed in Colombia and using transit [DNP] generally to great effect. ...
- The question of a strategic alliance with RJR should be investigated.
- The Japanese are making inroads into the northern part of the region via Aruba and Colombia with prices one-third of US export prices. They should be seen as a major threat in the region. ...

Main conclusions reached were that PM World-wide and also in the region, has the edge on Group companies with regard to lobbying/government relations. Group companies (including the Centre) are under-resourced ... and consequently outgunned and outmaneuvered by PM. This key issue is being addressed by BATCo. Public Affairs Department. ...¹¹

Despite the rivalry, PMI and BAT would still meet to discuss pricing and lobbying strategies. These meetings occurred at the top executive level of company headquarters and at the local level. (Appendix 4 provides an example of minutes of a BAT/PMI meeting.) It is clear from the BAT documents describing these meetings that, price wars aside, there was a significant amount of collusive agreement on pricing and marketing. Various documents discuss their joint activities, for example:

- a 1992 marketing and pricing "industry agreement" in Panama;¹⁷⁰
- advertising issues, including whether there was a risk of a "backlash" from too high an advertising investment; as well as pricing and distribution issues in Costa Rica;¹⁷¹
- joint lobbying and the creation of a National Manufacturers Association (NMA), as well as "avoidance of a price war [to protect] the long term interests of the industry" in Chile;¹⁷²
- the creation of a NMA to lobby against "escalating and organized activities of the pressure groups", as well as agreement about each company's marketing practices;¹⁷³ and
- evidence of collusion on price and taxation issues in Venezuela.^{174, 175}

CONCLUSION

The tobacco industry's general strategies for Latin America and the Caribbean are similar to those used in other regions of the world. While the two dominant players, British American Tobacco (BAT) and Philip Morris International (PMI), fight each other for market share, they also cooperate to pressure governments on tax, pricing and legislative issues while crying out publicly against state intervention in their corporate affairs. More importantly, BAT and PMI collaborate to mislead the media and, ultimately, the public, on the real risks of smoking and exposure to secondhand smoke, and about the strategies that effectively reduce tobacco use.

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III. SECONDHAND SMOKE

H health authorities worldwide have causally linked environmental tobacco smoke (ETS), better known as passive smoke or second-hand smoke (SHS), to life-threatening medical conditions that include heart disease, stroke and cancer of the lung and nasal sinuses in adults, plus middle ear infection, asthma, bronchitis and pneumonia in children.¹⁷ This scientific consensus has developed over 20 years and continues to build. Consequently, a number of global health agencies, including the Pan American Health Organization, have deemed it a priority to reduce exposure of nonsmokers to second-hand smoke by implementing policies that ensure a smoke-free environment.

Efforts to introduce smoke-free policies in public and work places have often met with strong resistance. Although this resistance may appear spontaneous, investigations into internal tobacco industry documents reveals that the obstruction of public health efforts to combat second-hand smoke can be routinely traced to the offices of the tobacco industry. The internal documents examined describe a concerted, well-funded strategy to preempt Latin American efforts to restrict smoking in public and work places.

THE TOBACCO INDUSTRY AND PASSIVE SMOKING

Since the first reports emerged confirming health risks to non-smokers, the tobacco industry has denied the existence of causal links between passive smoking and disease or death. The industry has used several strategies to create doubt and confusion among policy makers and the public, often distorting the results of published studies or commissioning consultants to produce reports that would question the scientific evidence about passive smoking. Tobacco companies have also used the media and third-party groups (frequently created and financed by the industry) as vehicles for their misinformation campaigns.⁸⁻¹⁹

As early as the late-1970s, even before the U.S. Surgeon General released a report on passive smoking, the industry identified second-hand smoke as the most important issue threatening its future.²⁰⁻²² A 1978 study commis-

sioned by the industry found that the movement to protect non-smokers was "the most dangerous development to the viability of the tobacco industry that has yet occurred."²⁰ Similarly, in the early 1990s, the industry perceived SHS as "the main issue facing the industry in South America, now and in the future."²³

TOBACCO INDUSTRY SHS STRATEGIES IN LATIN AMERICA

Over the past decade, one of the tobacco industry's main objectives for Latin America has been to "present a more balanced view of Environmental Tobacco Smoke (ETS) in the media and prevent passage of legislation that would restrict or ban smoking in public places."²⁴

Critical to this objective was the commissioning of paid "evidence" that would attempt to challenge the scientific consensus on SHS. Philip Morris (PM) would, for example,

... communicate to the general public and governments that serious scientific research does not support anti-smokers' allegations against ETS ... [and] seek broad publication of balanced scientific articles.²⁴

To ensure the widest possible dissemination of the paid "science," PM made plans to work intimately with the media. It sought to

provide issues and media training so that executives are better prepared to handle controversial issues [and] create forums

and briefings for Latin journalist on 'Sound Science' [and] conduct media briefings to present the industry's point of view ... [expand] the network of media contacts to ensure that our point of view on ETS is balanced in the media [and] organize visits for Latin America journalists to PM and KGF [Kraft General Foods] to acquaint them with the diversity and scope of Philip Morris Companies.²⁴

PM would also

continue the development and support of ETS Consultancy program designed to generate scientific data and commentary to respond to media claims against ETS, and to oppose government initiatives to ban or restrict smoking in public places (on-going).²⁴

THE ETS CONSULTANCY PROGRAM AND THE LATIN PROJECT

The ETS consultancy program in Latin America, the core industry strategy to undermine efforts to reduce SHS exposure, was jointly financed by PM and British American Tobacco (BAT), and coordinated by the Washington, D.C. law firm of Covington and Burling.

The ETS consultancy program was a global strategy that began around 1987.^{25, 26} In Latin America, industry consultants from other regions conducted program activities until local representatives were recruited in early 1991.^{23, 25, 27, 28}

A 1989 PM memo describes the early Latin American efforts, which demonstrate a comprehensive strategy covering numerous countries and involving academic institutions as well as the media:

1. During 1987 and 1988, our consultants participated in two major briefing sessions for Latin journalists and government officials.
2. In December 1988, several additional consultants made presentations on ETS at a conference in Argentina sponsored by the National Academy of Sciences of Buenos Aires. The results of that conference have been preserved in a set of written proceedings, which is being utilized in other briefings in the Latin Region.
3. In April 1989, our consultants participated in an extensive set of briefings—for journalists, government officials and members of the scientific community—in Guatemala and Costa Rica. A number of excellent newspaper articles and television reports followed the presentations.
4. Two of our consultants are participating this week [July 11, 1989] in a major scientific conference in Caracas, Venezuela, which we have organized. An extensive set of media interviews has been scheduled to coincide with the conference.²⁵

In the early 1990s, important scientific developments on SHS in the US, such as the issuance of United States Environmental Protection Agency (EPA) and National

Institute of Occupational Safety and Health (NIOSH) reports on secondhand smoke, increased pressure on the industry to counter the scientific findings linking SHS to disease and to redouble its opposition to calls for public smoking restrictions.^{29, 30}

The "ETS Consultants Project" for Latin America ("Latin Project"), summarized in a 1992 industry document, took advantage of a vacuum in public health efforts against exposure to SHS. It proposed a deliberate infiltration of the scientific community and the media to preempt potentially effective future measures:

The ETS Consultants Project in Central and South America ("Latin Project") was initiated in early 1991. The Latin Project currently includes thirteen consultants from seven countries: Argentina, Brazil, Chile, Costa Rica, Ecuador, Guatemala and Venezuela. The consultants represent a wide variety of scientific disciplines, including chemistry and biochemistry, epidemiology, oncology and pulmonary and cardiovascular medicine. The Latin Project currently receives forty percent of its funding from Philip Morris International. [Sixty percent from BAT. ^{28, 31, 32}] The Latin Project is managed by Covington and Burling.

Unlike many other regional ETS consultant programs sponsored by the industry, the Latin project was initiated in anticipation, rather than in reaction to, the full-force arrival of the ETS issue to Central and South America... Critical to the success of the Latin Project is the generation and promotion of solid scientific data not only with respect to ETS specifically but also with respect to the full range of potential indoor and outdoor air contaminants. This approach encourages government agencies and media in Central and South America both to resist pressure from anti-smoking groups and to assign ETS its proper place among the many potential indoor and outdoor air contaminants found in these regions.

To achieve the goals of the Latin Project, regional and country-specific initiatives for 1993 will emphasize:

- Continued education of the consultants on indoor air quality issues in general and ETS and health issues in particular in order to solidify the consultants' positions as the regional experts in these fields;
- Recruitment and education of additional consultants (if necessary);
- Publication by the consultants of indoor air quality and ETS-related articles in scientific journals and in the popular media;
- Indoor air quality field studies and, where appropriate, the publication and promotion of the results of these studies;
- Scientific conference on indoor air quality and ETS issues; and
- Direct and timely responses by the consultants to unbalanced or exaggerated media reports on ETS or unreasonable proposals to restrict smoking in public places."³³

An important element of the effort put into the Latin Project was to avoid the appearance of any link between the consultants and the tobacco industry. Consultants were to be perceived as independent scientific experts.^{34, 35} For

example, this 1991 letter from BAT's Sharon Boyse to Edgar Cordero, of Costa Rica stated:

... I cannot stress strongly enough the absolute necessity for the industry to have **no direct contact** with these scientists [the consultants] that are part of the program. ... If one scientist in the group is perceived by anyone to be associated with the industry, then we run the risk, by association, of this happening for the rest of the group and the whole exercise will become pointless. All contact, as previously explained, must be carried out through Covington & Burling. ...³⁶ [Emphasis in original.]

After an initial meeting between PM, BAT, C&B and country representatives to decide on project priorities,^{37,38} consultants and country-level company representatives attended regular meetings where they received information on health and passive smoking issues and were given written material on SHS. The handouts distributed to the consultants were produced by the industry, and included the proceedings of the so-called "McGill ETS symposium" in Montreal, Canada, in 1989,^{39,44} as well as other industry-sponsored studies.* These meetings served to assess the consultants' level of understanding of issues important to the industry, along with their ability to represent the industry's interests and to maintain the consultants' commitment to the Project. At the end of the consultants' meetings, future activities were suggested and detailed. These included publication of papers in peer-reviewed journals, presentations in scientific conferences on SHS and indoor air quality (IAQ), and the development of research projects.^{28,45-50,51} Table 3.1 provides a partial list of the Latin American consultants for the project.

Having the consultants' work published in peer-reviewed scientific journals seemed a key aspect of the Latin Project, both for the ability to enhance the experts' credibility and as an added media tool.⁵²⁻⁵⁴ As one example, the review of cardiovascular disease and SHS by Alvarez and Burger, in the *Gaceta Medica de Caracas*,⁵⁵ was suggested as a possible media "hook" to communicate the industry message, provided this did not stir a debate on SHS and disease where it didn't already exist.^{53,54}

In addition, consultants were to be perceived as regional experts on the issues of SHS and IAQ.⁵⁶ The industry provided some of the required training and these industry-funded projects also served to solidify the consultants' expert qualifications. Where possible, the industry would support additional forms of training, and helped legitimize the experts by ensuring their attendance at major meetings in the field. In a 1992 letter, Covington

and Burling lawyer John Rupp, who coordinated the Latin Project, offered a candid assessment of the dilemma posed by an industry-sponsored program of "independent" consultants:

The problem is that, apart from his general medical training, Dr. Raad [from Ecuador] cannot point to any experience giving him unique or specialized expertise in ETS. We certainly do not want him to say, in response to an inquiry from a member of the press or colleague, that a major part of his expertise stems from ETS training/orientation sessions that he has attended that have been put together by a couple of tobacco companies. What is needed is some independent source of expertise, complementing his general medical training, that he can rely upon if challenged.⁵⁷

Dr. Raad was later made a co-investigator in a study conducted by HBI (discussed below) on Sick Building Syndrome.⁵⁸

In a September 1992 memo, Rupp discusses the additional financial resources necessary for the Project's initial successes to continue and increase. Specifically, Rupp mentions that additional funds were needed to continue training consultants and tobacco company staff working in each market, as well as for publication of research by those consultants.^{52, 59-61} (The proposed budget for 1993 was approximately US\$ 803,000, with a central budget of approximately \$365,000.⁶¹ For 1994, the proposed budget was US\$680,000.^{62,63}) Apparently, some of BAT's reservations and dissatisfaction about the way C&B was handling the project in Latin America were also resolved, as the company continued its participation in the project.^{64,65}

The project continued, albeit with what Rupp termed "minimal budget" in his 1993 assessment.⁶⁶ In 1995 there were discussions about priorities and directions for 1996, including the possibility of expanding the program to other countries, such as Colombia, and the planning of events and meetings.⁶⁷ In 1997, one of the priorities was to "identify individuals with epi [epidemiology] and statistical expertise" to work as consultants in the region⁶⁸ and, in 1998, the priorities continued to be indoor air quality programs and development of the consultants' scientific expertise.⁶⁹

Several documents describe meetings between Rupp and some program consultants and tobacco industry personnel in the countries involved in the Project. These meetings served to assess the specific country-level needs of the Project, including recruitment, progress made, and future directions. The forward-looking issues included scientific and legislative matters, as well as media strategies (i.e.

*The tobacco industry heavily promoted the proceedings of the "McGill Symposium," co-opting McGill University's prestigious name for its aims. However, McGill University made a point of distancing itself from the symposium and its conclusions.

TABLE 3.1: PARTIAL LIST OF TOBACCO INDUSTRY CONSULTANTS IN LATIN AMERICA*

Country	Consultant	Institution
Argentina	Eduardo Gros (deceased)	Universidad de Buenos Aires
	Carlos Alvarez	Instituto de las Clinicas Cardiovasculares [Institute of Cardiovascular Clinics]
	Oswaldo Fustinoni (deceased)	National Academy of Sciences and Medicine
Brazil	Antonio Miguel	Chemistry Institute, University of Sao Paulo (currently in the USA)
	Luiz Siqueira Motta	[We were unable to identify]
	Luiz Britto	[We were unable to identify]
	Francisco Radler de Aquino Neto	Chemistry Institute, Federal University of Rio de Janeiro
	Jari Nobrega Cardoso	Chemistry Institute, Federal University of Rio de Janeiro
	Pedro Buckler	
Chile	Lionel Gil	University of Chile School of Medicine
	Ricardo Katz	Environmental Engineer, Universidad de Chile
	Remigio Lopez	University of Chile School of Medicine
Costa Rica	Maria do Rosario Alfaro	Pollution Laboratory, National University of Costa Rica
	Jose J Rodriguez	National University of Costa Rica
Ecuador	Jean Raad Anton	Intensive Care Medicine
Guatemala	Cesar Gonzalez Camargo	Department of Central Laboratories, Ministry of Health and University of San Carlos de Guatemala School of Medicine
Peru	Mary E. Penny (CIAR grantee)	Instituto de Investigación Nutricional
Venezuela	Bruno Burger	Centro Medico Docente, Caracas
	Eduardo Souchon	Oncology, Hospital de Clinicas de Caracas
	Elba Contreras	AmbioConsult

* It is likely that many more consultants exist.

journalists' briefings on the industry's perspective of ETS and health) and local journalists' visits to the United States. These documents, along with others related to the project, provide a clear indication that, in addition to the scientific subjects,^{56,70-72} the companies expected consultants to be politically involved in assisting with the industry's goal of preventing passage of legislation that would restrict public smoking and tobacco marketing in countries like Argentina, Chile and Venezuela.^{57,73-76} The 1992 Buenos Aires meeting report states:

... Dr. Carlos Alvarez [an ETS project consultant] played a very useful role in the larger industry efforts to defeat, and then to convince President Menem to veto, the anti-tobacco legislation approved by the Argentine Parliament at the end of 1992. Dr. Alvarez's activities included conversation with Senators from both parties and a series of conversations with President Menem as well as President Menem's brother, who serves as President of the Argentine Senate. Dr. Alvarez also provided President Menem with a briefing package and a covering letter that pointed out that the smoking restrictions that had been proposed lacked a solid scientific basis.⁷⁵

Since the Argentine legislature was likely to reintroduce the tobacco control bill, it was expected that the consultants' level of political involvement would continue in 1993.^{75,77}

Consultants were expected to have a media relations' role and be able to respond to any press accounts on SHS that were unfavorable to the industry.^{64,78,79} In Brazil, for example, consultants were expected to "do a quick hit" with the media as one of the proposed strategies "to counter the avalanche of ... anti-smoking activity in the press [in 1993]". Other measures included running a courtesy/tolerance program, providing the press with pre-prepared articles, and to "arrange private meetings between government officials, engineers association, ...etc" with a scientist from Philip Morris to present the company's perspective on SHS.⁸⁰

SHIFTING THE DEBATE: INDOOR AND OUTDOOR AIR QUALITY

It is important to understand the strategic complexity of the industry's "science." Although the industry clearly denied and downplayed the links between passive smoking and disease, it went further and tried to shift the debate to broader issues of air quality. The key objective was to convince the public that there were many contaminants in indoor and outdoor air, to which SHS was a very minor contributor.^{33, 81-86} (Researchers have now established that, in buildings where smoking is allowed, SHS is the number one contributor to indoor air pollution.^{87,88})

A Central America field study proposed in 1992 is an example of this line of argument. The study was based on earlier industry investigations that attempted to prove that tobacco smoke was not a significant contributor to indoor air pollution and poor indoor air quality. The study proposal states that it would

... acquire data on levels of various gas and particulate phase airborne substances in offices and in restaurants in Costa Rica, Guatemala, Panama, El Salvador, Nicaragua and Honduras. Levels of outdoor air pollution will be determined simultaneous to the indoor air measurements....⁸⁹

Study results were published in the *Ciencias Ambientales Journal*, edited by the National University of Costa Rica. As expected, they demonstrated that smoking was not a significant contributor to the poor indoor air quality found.^{90,91} In 1994, another research proposal was submitted that also included the following Caribbean countries: Cuba, Jamaica, Haiti, the Dominican Republic and Puerto Rico. It is not clear from the documents available if that particular research proposal was accepted and funded.⁹²

Before beginning the study, political and media contacts were made, and selected articles were written for the media so as to prepare dissemination of the results and to continue to promote the tobacco industry's position on SHS and health.⁷⁵ In addition, research by several of the consultants was later financed by the tobacco industry's Center for Indoor Air Research (CIAR),^{26, 50, 69, 73, 93,96} an organization well-known for its funding of biased studies intended to provide the industry with "scientific" material in support of arguments against the health hazards of passive smoking.^{8,49}

As usual, the industry disseminated its IAQ arguments and research widely to the media as well as among scientists. One dissemination strategy was to arrange seminars (in Chile and Argentina, for example) and have industry consultants participate in scientific meetings. Although staged as scientific events, these meetings were, in reality, public relations and lobbying efforts by the industry. In order to give the events greater credibility with the media and government officials, industry sponsorship was not disclosed here either.⁹⁷

In addition to the Central America study mentioned above, IAQ studies were also planned and conducted in Venezuela, Chile, Argentina and Brazil, with results often published in the international literature.^{64, 65, 98-103}

The Brazilian Air Force Ministry Aircraft Study

The industry documents' discuss the plans of the Brazilian Air Force to "conduct a study of occupational health and passenger comfort in commercial aircraft ... of Brazilian air carriers" in partnership with scientists of the Federal University of Rio de Janeiro, some of whom were industry consultants. Christopher Proctor, now Head of Science and Regulation at BAT but then with C&B, was in favor of providing the scientists support, as he believed that this development earned the consultants recognition as indoor air quality experts.^{83,104} It is not clear from the documents reviewed if the study was ever conducted and the role, if any, the industry consultant eventually played.

The CIESPAL Seminar

The CIESPAL seminar was considered one of the Latin Project's important achievements. CIESPAL, the "Centro Internacional de Estudios Superiores de Comunicación para América Latina", is a non-governmental organization in Quito, Ecuador dedicated to the study of social communications and the goal of improving the development, education and research capabilities of communications professionals in the region (<http://www.ciespal.net/>). CIESPAL is described in an industry document as "a highly respected organization dedicated to educating journalists from throughout Latin America on important issues of regional interest."¹⁰⁵

Held in 1993 in Quito and organized and funded by the industry, the seminar provided a forum to discuss air quality issues and to present findings of industry studies. The seminar's proceedings, published in the journal *Ciencias Ambientales* of the National University of Costa Rica, also provided material for a publication that specifically targeted regional issues concerning indoor air quality topics. This material was then distributed by the industry to the regional media. This process assisted in establishing industry consultants as regional experts in the area of SHS.

Not surprisingly, seminar presentations on IAQ found that cigarette smoking was a "very minor contributor to the level of substances in indoor air".¹⁰⁵ In one presentation, Argentinean consultant Carlos Alvarez discussed SHS and cardiovascular diseases (CVD), concluding there is no statistically significant relationship between passive smoking and CVD and that, "even assuming a worse case scenario, the problems presented in Latin America by ETS exposure

pale in comparison by those caused by outdoor air pollution, malnutrition, cholera, diarrhea, illiteracy, poor housing and marginalization.” These claims are thoroughly contradicted and discredited by the established science showing that SHS is a major indoor air quality problem and causally linked to CVD. Forty to sixty journalists attended the seminar, less than what the industry expected, but still “reasonably good” and the seminar received “fair” regional coverage.^{52, 54, 64, 96, 105-108}

Other Seminars and Institutions

In Latin America, the tobacco industry also used the services of Healthy Buildings International (HBI), a worldwide “Indoor Environmental Consultants” firm (<http://www.hbi.com.au/international.html>) that has helped the tobacco industry in its efforts to prove that tobacco smoke is not a cause of indoor air contamination.¹⁰⁹ By 1991 at the latest, HBI was attending press conferences and scientific meetings on behalf of the tobacco industry and conducting research on indoor air quality and sick building syndrome in several Latin American countries, receiving significant media coverage. As is standard in these cases, tobacco industry funding was seldom, if ever, acknowledged.¹¹⁰⁻¹¹⁶ In 1992 BAT’s Boyse sent HBI’s proposal for an IAQ research and public relations campaign in Buenos Aires to Jorge Basso Dastugue, of Argentina’s BAT subsidiary Nobleza-Piccardo. HBI estimated that the 18-month cost for the project would be \$154,000 plus the expense of a PR firm.¹¹⁷ The memo Boyse sent along with the proposal reveals some of the issues involved when dealing with groups that are well-known associates of the tobacco industry. In the memo, Boyse writes:

Attached is a final quote from HBI for all three phases of the program ... Please also note, more importantly, that this is an **extremely sensitive document!** HBI are currently under a considerable amount of investigation in the US about their connections with the industry. All references to companies in the quote has [sic] therefore been removed. **Please do not copy or circulate this in any way and please destroy this fax cover sheet after reading!** I know this sounds a little like James Bond, but this is an extremely serious issue for HBI.¹¹⁷ [Emphasis in original.]

Given that the document was still available in BAT’s archives, Sharon Boyse clearly did not follow her own advice about destroying evidence. The results of the investigation¹¹⁸ are not clear in the reviewed documents, but HBI continues to operate.

In addition to HBI, other consultants were also on hand to participate in or assist with Latin American events.

These operatives also obtained reports and budgets from PAHO and WHO for the Latin American region.¹¹⁹⁻¹²¹

Correspondence involving the contract with HBI provides evidence that the collaboration between BAT and PM wasn’t always smooth. Their competition for increased share of market (SOM) in the region manifested itself. Plans were being jointly hatched for HBI to conduct studies in Venezuela, Argentina, and Chile, but there was hesitancy from PM with respect to Venezuela and Argentina, while BAT did not want PM involved with any project in Chile.^{55,122-125} Part of the concern was the need to keep industry involvement hidden. For example, a letter from BAT’s Sharon Boyse to PM’s Steve Parrish notes:

The situation that has recently emerged between PM and BAT regarding HBI is, not surprisingly, of considerable concern to us. The concerns are as follows:

1. We understand that you are unwilling to accept local BAT involvement in Phase 2 of the current project in Venezuela [sic]. We understand that part of the reasoning for this is that our local company might in some way detract from the intention to keep associated events totally independent of the industry. In this respect, I find it difficult to understand why you should assume this when, in fact, the local PM company in Venezuela [sic] recently blew the cover of one of our best consultants in the ETS consultancy programme by inviting him to participate in a Marlboro event ... Our companies are quite capable of understanding the necessity for keeping these projects independent ...
2. We also understand that, for similar reasons, you are unwilling to contemplate cooperation between BAT and PM companies in Argentina on such a project. This is even more unfortunate than the case of Venezuela [sic] because our companies in Argentina have a long history of cooperation on all major issues and this kind of event only serves to undermine the trust between the two companies ...
3. Even more importantly, when I contacted Gray Robertson [of HBI] yesterday about the possibility of doing something for BAT in Chile (a market in which PM is not a significant player) ... Gray was embarrassed to tell me that he had got the distinct impression from PM that if he did any work for BAT (or any other non-PM company) in the future, then PM would refuse to fund HBI in future. This is the most appalling situation, and seems to us to have implications, not just for Latin America, but for the whole principle of industry cooperation on ETS issues. ... We also particularly resent the implication in all this that PM are [sic] the only company that are able to properly manage ETS and IAQ projects. ... I can assure you that ... we are equally capable of grasping the subtleties of management of independent consultants. ...¹²⁴

In a follow up letter from Boyse to Basso Dastugue of Nobleza-Piccardo, she emphasizes the need to protect BAT’s Chilean market:

I do not want PM in any way involved with any of our projects in Chile. Our relationship with them is excellent ... [but] we must bear in mind that Chile still is a BAT market ... The tendency, because of our cooperation with them, is to forget that we are competitors nevertheless! ...³⁵ [Emphasis in original.]

The over US\$150,000 HBI proposal for Argentina (not including PR costs) was a complex public relations strategy leading to the creation of the "EnviroSense Consortium", a coalition of companies with interest in the IAQ issue.^{117,126-128} The formation of this coalition was and is in keeping with the tobacco industry's worldwide strategy of creating third party groups to distance the industry from its role in manipulating public opinion on the SHS issue.^{16, 18, 129}

The industry, through its consultants, typically sought to obtain co-sponsorship for its seminars and symposia from prestigious academic institutions. The groups involved included the Argentine National Academy of Sciences and National Academy of Medicine; the Chilean Academy of Sciences, the Faculty of Medicine of the University of Chile, the Center for Environment Research (CIPMA) in Chile, the Catholic University of Chile, and the University of Sao Paulo in Brazil.^{73, 75, 114, 130-133}

In 1995, the Argentine National Academy of Medicine sponsored a conference titled "Second International Symposium on new Advances in Ambient Air and Cardio-respiratory Illnesses." The president of the Scientific Committee was industry consultant Carlos Alvarez, and the honorary president, representing the academy, was Osvaldo Fustioni, also an industry consultant. Known industry consultants, like Philip Witorsch and New Mexico ex-Governor & health care company CEO Garrey Caruthers,^{130,134,135} were among the conference speakers.

Also in 1995, the industry sponsored the "First Latin American Meeting on Indoor Air Contamination" in Santiago, Chile, which in the opinion of a consultant, Antonio Miguel, was a "great success". Miguel proposed that the conference proceedings be published in Spanish as a book, co-edited by himself and another consultant, Lionel Gil, and to be distributed worldwide.¹³⁶

Another example of the consultants' role is revealed in a 1995 document describing industry consultant Antonio Miguel's efforts to assist with the organization of an IAQ meeting in Sao Paulo, Brazil.¹²¹ The questions posed at the end of his letter to Covington and Burling lawyer Charles Lister again speak to the industry's dilemma over revealing the extent of its involvement in these activities it funded and organized:

...1) who would sign the formal invitations? And 2) who would be the "official" sponsor of the meeting?¹³¹

In 1993 Miguel had solicited financial assistance from C&B for the "First Annual Meeting of the Brazilian Association for Aerosol Research".¹³⁷

The formation of other front groups that could provide a veneer of public support to fight smoking restrictions was also discussed. Similar to "smokers' rights groups" created and/or funded by the industry around the world, BAT's Republic Tobacco Company's 1992-1994 strategic plan for Costa Rica expressed the need to "analyze/implement the creation of a smokers' rights association."^{137b}

Latin America SHS and Air Quality Survey

At the end of 1993, PM appeared to shift to a reactive posture as it responded to emerging threats to its position as the key source of information on SHS. It considered conducting market research on attitudes toward SHS in Latin America, since the region was being

... bombarded by proposals, restrictions, and laws which seek to drastically limit our [Philip Morris] ability to market and advertise our products. And while the level of concern does not yet match that of the United States or Europe, we are beginning to see articles in the local media on the topic of ETS. ... The concern we face today is that we do not have current systematic information on public or leadership attitudes about tobacco-related issues in any Latin America country, and consequently, we do not have information which allows us to gauge levels of concern/sensitivity across countries. As a result, we may be inadvertently opening the proverbial "Pandora's Box" via these programs mentioned above [ETS Consultancy Program, regional journalists' program, media training, accommodation program, etc], or we may be appropriately ahead of the ball. We have no way of knowing!¹³⁸

The survey, managed by The Wirthlin Group, was initially planned for Argentina and Brazil, but it was expanded to include Mexico and Venezuela as well. The US-based industry law firm Shook, Hardy and Bacon was to review and approve the final questionnaire, and the initial estimated cost of the survey was US\$ 200,000.^{138,139} (It appears that a separate contract was also developed to include Puerto Rico.^{140, 141})

In its conclusions for Puerto Rico and Latin America (Brazil, Argentina, Venezuela and Mexico), the survey found that:

Issues and concerns surrounding the tobacco industry in Latin America do not appear to be just "smoke". While not as proactive or as organized as in the US and Puerto Rico in their anti-smoking legislation and media attention, there exists a

potentially strong, silent sentiment against smoking among the general public.¹⁴²

The survey results showed that the general public seemed more in favor of government regulations on both outdoor and indoor air quality, including SHS, when compared to opinion leaders.^{142,143}

One 1994 document discussing the preliminary survey results in five Latin America countries states that smoking is not as great a concern in Latin America as other “social, economic and environmental issues” and that outdoor air pollution is the “biggest air quality” issue. The author notes:

I think this creates an opportunity for us [Philip Morris] to begin to make noise about outdoor air quality while we continue to pursue our work on IAQ through the ETS Consultancy Program. ... When pressed about ETS specifically, 73% of the general public and 53% of opinion leaders expressed a need for more government regulation.⁸²

To use the survey results to PM’s best advantage, the company, with assistance from its law firms, looked for experts on outdoor air quality in the region. The goal was to explore opportunities to raise the “noise level on outdoor air quality” and begin to “generate news by means of publication of articles, media tours of “experts”, conduct a symposium, etc.”^{142,144}

There are several other documents that relate to this strategy of “shifting the emphasis from ETS to outdoor air quality,” including the development of studies on outdoor pollution in the region,^{145,146} many of which studies have already been discussed above.

FUSADES

One of the ways for the industry to bolster its emphasis on outdoor pollution and IAQ studies was by providing financial assistance to the El Salvador-based FUSADES (Fundación Salvadoreña para el Desarrollo Económico y Social) laboratory, hoping to improve its ability to conduct air quality measurements.^{68, 147, 148}

The Chair of the Board of Directors of FUSADES was Jorge Zablah, the President of Philip Morris’ affiliate Tabacalera de El Salvador. Tabacalera was, in turn, one of FUSADES funding contributors.^{147,149} Although Zablah was supportive of Philip Morris’ involvement with the air quality laboratory, he also wanted assistance in developing the laboratory capability in the areas of food and water analysis.^{147, 150, 151} Philip Morris’ goal for FUSADES was to

turn it into a regional “Center for Excellence in Air Quality Testing and Measurements”, since PM needed a

capable, certified, and credible environmental testing laboratory in the region which can support our scientific efforts concerning ETS and IAQ issues in a manner consistent with the spirit of the proposed tobacco settlement [the settlement under negotiation at that time between the industry and state attorneys general in the United States].¹⁵²

PM enlisted the services of the prestigious Canadian laboratory LabStat to provide FUSADES with training and technical assistance, at an estimated cost for 1998 of US\$270,000.^{69, 93, 94, 148, 152-155}

The industry also explored the possibility of developing IAQ standards for the region, preempting any national measures taken to adopt the US EPA or WHO International Agency for Research on Cancer (IARC) standards for risk assessment and determination of ETS as a human carcinogen. The idea was to work with each country’s Academy of Sciences, university centers and environmental institutions, as well as with the industry’s own scientific consultants and contacts. As another preemptive measure, the industry would also urge adoption of the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) indoor air quality ventilation standard 62-1989 as an appropriate response to SHS issues in the region.^{132, 156, 157} (Note: This standard did not consider the health effects of SHS when developing appropriate ventilation guidelines and was produced with the input and influence of the tobacco industry. It has since been amended and SHS is no longer considered for measurement as there is no demonstrably safe level of exposure to recommend.)

Spreading the Word

Continuing to shift the focus from SHS, the public relations firm APCO Associates offered PM and BAT a plan in 1994 to promote “scientific studies on indoor air quality” in Latin America. The firm presented itself as being well-positioned to help disseminate the industry message since it was active in many countries of the region and had contacts with media and government officials. The plan objectives included intent to:

- Promote the results of the scientific research and studies
- Heighten awareness of opinion leaders that indoor air pollution is broader and deeper than ETS
- Raise the understanding and support for developing indoor air quality standards that are not linked solely to ETS
- Address concerns about restrictive indoor air quality regulations as a result of:

- Legislation
- Executive branch edict
- Private sector imposed rules
- Pressure from the general public.⁶¹

The audience for these messages would be opinion leaders (political and academic), the media and the general public (via the media). Media “education” and promotion was an important component of the plan, as media coverage could be then “merchan-dized” to opinion leaders. Also included was the development of “grassroots” organizations that could carry industry arguments forward without an obvious connection to corporate tobacco interests. Phase I countries included Brazil, Venezuela and Ecuador. Phase II countries were Costa Rica and Chile. The document describes the plan in detail and uses Chile as an example of how the scheme would actually be implemented, listing the opinion leaders, politicians, organizations and media outlets that would be reached. The plan’s total proposed budget was between \$122,500 for the “base program” and \$325,000 for the “comprehensive program.”⁶¹

It is not clear from documents currently available whether the APCO plan was approved and imple-mented, but discussions continue at PM and the scheme was a topic of a “Latin America workshop” planned for 1994.¹⁵⁸

BACK TO BASICS: DENIAL, PREEMPTION, AND “ACCOMMODATION”

Despite the industry’s efforts to delay the development of smoke-free environments in Latin America, by 1995 BAT believed “smoking restrictions based on ETS science are a major threat to business opportunities” in Latin America.⁹⁷ Both BAT and PM continued their efforts to prevent policy progress in the region.

From the available documents, it appears that, in 1994, Philip Morris began once more to work specifically on projects that would create obstacles to smoking restric-tions in the region. PM was apparently concerned with the region’s increasing number of proposals for work-place smoking restrictions and wanted to preempt leg-islative action. Although the company had been focusing on restaurants and the hospitality indus-try,^{159,160} including the development of a self-regulatory campaign for restaurants,¹⁶¹ it had started to discuss

strategies to apply to workplaces the “accommodation” model used in the hospitality sector. (Note: The tobacco industry, through its allies in the hospitality sector, such as the International Hotel & Restaurant Association, has been promoting the “courtesy” and “accommodation” messages throughout Latin America and the Caribbean.^{97,162} (<http://www.ih-ra.com/>)) The message, borrowed from the restaurants’ accommoda-tion program, was: “preferences of both smokers and non-smokers can and should be accommodated in the workplace.”¹⁶³ [emphasis in original] The program would later be expanded to hospitality venues as well.

BAT was also developing its “accommodation” plan for the region with a program known as the “Courtesy Campaign”. As with most of the industry’s public campaigns, the com-pany’s legal department had final say on the language of any program material to be developed and distributed, to ensure that no negative associations were made (i.e. stating that nicotine was found in environments where smoking was allowed), as seen in the development of the “Courtesy Cam-paign” in Chile.^{164 165 166} In 1993, industry research in Chile demonstrated 82% support for smoking bans in offices and 74% support for bans in restaurants. Despite this public approval of restrictions, the industry planned, in 1994, to launch a Courtesy Campaign. The Chilean campaign was to be coordinated by an industry-created group called the Cen-ter for Tobacco Studies and Information.^{97, 164-167}

In practical terms, what these campaigns promoted was the implementation of coexisting smoking and nonsmok-ing sections, thus ensuring the continued acceptability and accessibility of indoor smoking. Unfortunately, the strategy also ensured the continued exposure of non-smokers to SHS. Both the strategy and its title reinforce the industry’s prime scientific messages SHS exposure is an issue of comfort or preferences rather than one of health. Therefore, divided, shared space (“accommoda-tion” in the industry’s terminology) was adequate to solve the problem. PM documents from 1997 list smoking restrictions in the region’s governmental and private workplaces, as well as its hospitality venues. According to the industry’s assessment, restrictions, where they existed, were considered “favorable” to the industry because they contained “accommodation language.”¹⁶⁸⁻¹⁷⁰

The strategies for implementing the accommodation cam-paign included communicating the industry’s misleading messages about tobacco smoke and IAQ to businesses; developing and supporting voluntary, self-regulatory

strategies of accommodation and, where necessary, “offering alternative legislative language which ensures accommodation of both smokers and non-smokers.”^{163, 171} The audience for the campaign included business owners and employers, unions, professional associations, policy makers, the media, academics and others.

In 1996, the growing needs for tobacco industry activities in the region prompted PM’s Marc Firestone to request that Richard Carchman of PM Scientific Affairs consider hiring a person devoted exclusively to providing scientific support for the Latin America Region. Areas where technical support was believed most badly required were:

- ETS (and smoking and health in general)
- IAQ research, including exposure monitoring, ventilation technology, air quality standards, etc.
- Regulatory issues, including ingredients and product integrity
- Issues training for senior management and industry spokespeople, consultant development, and support to Legal
- Participation in strategy development and implementation, including ongoing updates to management on scientific developments worldwide.¹⁷²

It is likely that this request was granted. Bruce Davies is listed in the 1997 Scientific Affairs’ Organizational Chart as the person in charge of Latin America and Brazil,¹⁷³ and he is the author of several of the documents described earlier, including the ones related to FUSADES.

LESSONS FOR THE FUTURE

For more than two decades now, the tobacco industry has been concerned with the impact on its profits from an accelerated, worldwide decline in the social acceptability of smoking in general and smoking in public places in particular. As stated by Andrew Whist of PM in this 1984 memo:

It is our opinion that the single most important issue facing our industry is the erosion of social acceptability of smoking. ... In the absence of a well-coordinated international campaign, we feel that this is an inevitable trend which will lead to continued assaults on the industry—and the smoker—in the twin areas of taxation and public smoking.¹⁷⁴

The tobacco industry executes a strategy that is clear, if not original: Think globally, act locally. From the Latin American evidence presented here, it’s apparent that the industry employed its usual global strategies to thwart passage of legislation that could protect the region’s population, smokers and non-smokers alike, from the harmful effects of passive smoking.

Latin America’s tobacco control advocates and policy makers must be made aware of the industry nefarious strategies, as outlined here, if they hope to adopt informed policy decisions. For many years, the tobacco industry has successfully manipulated large segments of the academic communities and mass media in Latin America. There is now a need to investigate the sources of funding and information for those who would portray themselves as “independent” opinion leaders and researchers. The tobacco industry is well aware that it’s severely lacking in public credibility. It will continue wielding the immense financial clout that allows it to hide behind spokespeople and third-party groups while it exerts influence over public policy decisions. The tobacco-control movement has science on its side, but cannot outspend the tobacco industry. The best chance of countering the industry and its consultants’ message will be to make creative use of the documentary evidence.

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IV. PROMOTION AND MARKETING

This chapter focuses on how the companies use promotion not only to sell their products to the next generation of youth, but also to sell their own image. It also focuses on the strategies used by the companies to protect their marketing freedoms to the greatest extent possible.

As is the case with respect to general strategies and planning (see Chapter II), there are many similarities in the marketing tactics of the two dominant companies in the region, BAT and PMI. As other chapters have shown, the companies are fiercely competitive with regard to obtaining market share; however they are close collaborators on issues that threaten the industry as a whole, such as efforts to restrict its promotional practices.

A distinct characteristic of the BAT marketing plans documents, as opposed to those of PMI, is the openness with which the movement of products via the D.N.P. [Duty Not Paid] or GT [General Trade] sector is discussed (see Chapter V).^{1,20}

CAMPAIGNS TO AVOID PROMOTIONAL RESTRICTIONS

The documents clearly show that the industry was increasingly concerned with the "threat" of advertising restrictions in the region and expected them to be widespread in the early 1990s. Marketing strategies for Latin America were developed accordingly. For example, the Philip Morris 1994-1996 strategic advertising and marketing plan for the region states the following 'Objective':

Objective: To prevent the passage of unfavorable legislation aimed at restricting or banning advertisement and promotion of our products.²¹

To achieve this aim, PM would "promote and strengthen advertising and media communities to oppose restrictions" through the development of media symposia, studies on the economic impact of advertising, and the development of self-regulating codes.²¹ The worldwide tobacco industry plan to counter the argument that advertising leads to increased consumption involved the building of alliances and the proposal of voluntary codes

(see Chapter II). A 1989 industry document frankly acknowledges the evidentiary difficulties of claiming that advertising does not influence consumption, and the need for the industry to devise a more credible communications message:

The general argumentation used by the industry is beginning to look extremely weak and the presentation of these arguments to the "public" and "opinion formers" needs to be examined in detail.

This is best illustrated in the advertising bans and consumption argument, where the industry argues that 'advertising does not increase total market size', yet we are presented with a dilemma in developing markets where the total market is growing and advertising expenditure is rising accordingly. How can we reconcile this?

Should the industry undertake some new studies on a global basis and consider new arguments, e.g. the effects on the national economy of advertising bans taking into consideration not only damage to the tobacco sector, but also to government revenues, consumer spending, the advertising industry and other media related sectors. Such studies would have to be centrally planned and administered.

Statistics:

...The collection of industry statistics needs to be coordinated by Infotab, which through its existing network, is best placed to acquire and collate such data. However, to achieve 'authority' for industry data a respected independent international organization should be used to publish the results.

Networking opinion formers:

There is a lack of coordination in addressing responses to anti-industry literature on this issue. The industry needs to extend its existing network of respected academics, politicians and influential laymen, who are prepared to redress the imbalances presented. This work could be focused through a variety of publications, media campaigns and direct attacks on anti-industry campaigners."²²

The document then details how the industry needed to build coalitions by joining forces with groups such as the Sociedad InterAmericana para la Libertad de Expresión Comercial (SILEC)^{23,25} and the International Advertising Association (IAA). As discussed in Chapter II the companies used its advertising industry allies and the freedom of commercial speech argument to oppose legislation that could create marketing restrictions. One joint PMI-BAT opposition strategy was the staging of symposia that would target legislators, journalists and

other opinion leaders to “educate” them on the industry’s perspective. Proceedings of these symposia were apparently published as booklets for distribution. A 1991 proposal for symposia in Venezuela and Argentina had a proposed budget of US\$138,950.²⁶⁻²⁸

Voluntary Codes

As pressure for greater regulation and restrictions grew, the cigarette companies employed diverse resistance tactics. As well as developing alternative marketing and promotional strategies such as brand stretching and nightclub promotions to stay ahead of the law, the companies found an important deterrent to stricter governmental regulations in voluntary marketing codes^{29,31} (also see Chapter II). Voluntary codes, which are invariably more favorable to industry than serious government regulation, are built on the assumption that if the industry already has a code, the government doesn’t need to create one. Boiled down to its essence, the 1994 BAT voluntary code for cigarette advertising states that advertising and promotions would target adult smokers only. The code’s objectives were

... To demonstrate responsibility in the marketing of a controversial product.

To avoid legislation which will further restrict our opportunities to market our products and compete against other manufacturers.

[Policy Statement] The British American Tobacco Co. Ltd. Believes that the marketing of its products should be carried out in a responsible way.

It has introduced an International Cigarette Advertising Code to be observed by all Operating Companies in the Group. The Company firmly believes that cigarettes should be consumed only by adults and marketing activities should only be directed at existing adult smokers.³²

While voluntary codes are desirable for both companies, and part of a standard, worldwide tobacco industry strategy, there were some barriers to implementation in Latin America. Some of the countries, like Chile and Venezuela, thought that a voluntary international code went further than necessary for the region. The companies in these countries wanted to continue the use of celebrity endorsements; considered 21 too high a minimum age for targeting through magazine advertising and for free sample distribution, and thought 25 too high a cut-off age for the “appearance of models” in advertisements.^{1,33}

In 1994, as Venezuela was considering the introduction of an industry marketing code, PMI held management-level meetings at which a Venezuela proposal to omit certain items from the PMI proposed marketing code was dis-

cussed. A memo from PMI Anne Okoniewski to PM-LA Cathy Leiber, lists several missing items that might compromise PM’s desire to be seen by the government and the public as a responsible company undeserving of government regulation:

One other major element difference is minimum age of appearance for models appearing in ads, PMI’s code states 25, this states 21.

Section three covering implementation of the code, the [sic] is no reference to the following:

- ad, promotion and sampling agencies receiving the Code or that they shall be advised that their representation shall be contingent upon compliance.

Informing agencies that work with us about our code is a very important element as it extends our view of our responsibility to those that work with us. I think of the majority of items I mentioned above, this would be the more important elements [sic] which is missing from the L.A. code proposal.³⁴

A 1994 memo from Fini De Otero, of Venezuela’s PM affiliate CATANA reports on a meeting with E. Antich of BAT’s Bigott making clear that a complete agreement on the terms by both companies was necessary before any code could be adopted.

I met with E. Antich [Venezuela BAT’s Bigott] today and he told me that until there is a clear commitment from Bigott General Manager and marketing Director and from our side to apply the code, specially in relation to TV, ads in sports activities and entertainment where minors can attend, he will not work on it.³⁵

It seemed that agreement was not always possible, as some company managers would not agree to giving up key opportunities to reach youth, even as part of a code that by all accounts was never seriously enforced.

Evading Marketing and Promotional Restrictions

As promotional restrictions, albeit weak ones, became a reality, the tobacco industry turned its attention to developing alternative promotional strategies to circumvent future limitations. A PM document addressing retail marketing objectives notes:

Retail marketing is becoming increasingly important in a restrictive environment, and, in some markets, is our only viable contact with the consumer.

Each region should present their best new materials in:

- Outdoor
- POSM [Point-of-Sale Marketing]
- Retail/trade promotions
- Consumer promotions at point of purchase³⁶

The minutes of a 1991 PM marketing meeting state that one of the “solutions” to address marketing restrictions

was the creation of “mobile ‘billboards’” in response to a billboard ban in Venezuela.³⁷

The companies also joined forces to oppose legislation that restricted tobacco advertising. In 1991, when the city of Caracas, Venezuela, passed an ordinance banning all outdoor advertising of cigarette and alcohol, BAT's Bigott and PM's Catana, allying themselves with outdoor advertising agencies, explored legal and other options to counter the ban.³⁸ The document describing this effort provides another example of the sometimes strained collaboration between the two cigarette companies. The situation was made worse in Venezuela by the fact that PMI lacked controlling interest in Catana, with only approximately 40% share of the company. BAT's Bigott and PMI's Catana constantly probed each other's limits and they also tested the government's tolerance of marketing practices that, while restricted, were subject to spotty enforcement.³⁸ As noted in this 1991 report from Sharon Boyse:

[The legal action project] has been compromised because Catana, against the wishes of others involved, initiated a series of full pages advertisements in the local press on this issue ... This served only to raise public awareness and to stimulate considerable anti-industry sentiment in the general public ... Catana had believed that Bigott was trying to keep a low profile in the hope that the ban would go through to enable them (in the absence of competitive advertising) to maintain their larger market share. It was stressed that this was not the case and that our policy was to protect marketing freedom in all cases.³⁹

A successful lobbying effort occurred in 1991 when the tobacco companies and their advertising allies managed to block a Honduran proposal for an advertising ban, gaining agreement from the Minister of Health that the companies themselves would write a new draft of the proposed regulation.⁴⁰

The minutes of a 1990 PMI marketing meeting had already stated that one of the “key issues affecting the cigarette business” was

Marketing restrictions (focused on marketing to youth). Could take the form of vending machines bans, cessation of sending cigarettes through the mail. May affect future of stadium signage and outdoor advertising, in general.⁴¹

The minutes also state:

- Attitudes among consumers toward advertising is not all good—but it is not all bad either.
- Anti-tobacco groups are very well organized. Current focus: women, minors, third world.

- We need to actively pursue the defense of the value of advertising—by ourselves and in coalitions. Without advertising, retail pricing becomes more important. Result: tobacco industry becomes a commodity market.
- We can effectively defend ourselves against criticisms based on lies or misconstruals, however, we have to be sensitive to the difficult environment we're in when planning our advertising and promotions. If we could state a PM marketing policy indicating voluntary guidelines, it would be very beneficial. It could include:

- Clear policy stating we don't market to “minors” or non-smokers
- Clear direction on media we use
- Clear statement on content advertising
- Clear direction on sponsorship activities
- Policy and program on trademark infringements (e.g. candy cigarettes, etc.)

If agreed, Marketing, Legal and Corporate Affairs should work to this end

We should take a stand on:

- Brand diversification (legitimate business)
- Vending machine placement (in supervised locations)
- Sampling (location and proof of age)
- Placement in films (no payments)

Comments:

A code may be beneficial but we must remember that we work in a competitive environment and we are judged on our ability to increase volume and share. How do we combine/reconcile these two issues? ...⁴²

Youth “Prevention” Campaigns: Denying the Obvious

Perhaps the biggest challenge to the industry's lobbying efforts to protect its marketing freedoms is the fact that the vast majority of smokers start smoking while they are adolescents or children.⁴³ Furthermore, the promotion of tobacco products has been found to be closely linked to initiation of smoking by youth^{44,45} The industry documents reviewed here show a cynical two-pronged strategy: while identifying young smokers as an essential target for promotion campaigns, the industry publicly decries smoking by youth and implements “youth smoking prevention programs” designed to burnish the industry's tarnished reputation. The industry's youth campaigns have been widely found to be ineffective and may even encourage youth smoking by portraying cigarette use as an “adult” behavior.⁴⁶⁻⁴⁹ Their real benefit is to the industry as part of a “good corporate citizen” campaign.

The two main focuses of tobacco industry youth campaigns are narrowly-focused education campaigns, and education of retailers to stop selling tobacco to young people. School education programs and measures to

restrict youth access to tobacco are among the least effective strategies to reduce youth tobacco use.⁵⁰ The education campaigns sponsored by the tobacco industry and education-based retailer campaigns have been found to have no effect in reducing youth tobacco use, or in reducing tobacco sales to young people.

Unaddressed in the industry campaigns are its marketing practices and any reference to negative consequences of smoking, including deleterious health effects and nicotine addiction. Strong restrictions on tobacco promotion are linked to decreased tobacco use, and messages about the health hazards of tobacco use, when properly communicated, have found to be effective with youth.

Tobacco industry programs to combat youth smoking provide essential inoculation against the eroding public image of the companies and against meaningful regulation of tobacco promotion. The rationale is that, if the industry is already trying to discourage youth from smoking (albeit through weak and ineffective campaigns), there is less reason for governments to develop their own, and typically stronger programs.⁴⁶⁻⁴⁹ Indeed, tobacco industry youth campaigns are developed in anticipation of perceived threats of marketing restrictions.^{51,51}

Although the documents discussed here are from PM, BAT carries out similar “youth smoking prevention” programs through its operating companies.⁵²

Philip Morris started to develop its youth campaigns in Latin America in the early 1990s. Repeating its worldwide mantra, the message was that “smoking is an adult choice/decision”.^{53,54} There is no reference in any of the campaigns to the health effects of tobacco use or to the fact that nicotine is highly addictive.

A 1993 memo from Cathy Leiber, PM’s Director for Corporate Affairs for the Latin America region, both summarizes the goals of the regional youth campaign and seeks approval for the production of a commercial to “discourage juvenile smoking.” Probably the most salient point of the memo is that the reduction of youth smoking is not mentioned as a campaign goal.

Increasing pressure from anti-tobacco forces in Latin America has created the need to explore various options to counter negative publicity. ... Three years ago, Ecuador took the initiative to develop a campaign addressing the issue of youth smoking. This campaign consisted of one commercial and a series of print ads conveying the message that smoking is an adult activity. The campaign was so well received by the ministry of Health that it bore its endorsement.

Today, several markets, especially Puerto Rico, Venezuela and Uruguay, are pressing us for a public service campaign in an effort to demonstrate corporate responsibility.

Rationale

Taking into consideration the emerging adverse legislative climate in the region, we have an opportunity to create good will for the tobacco industry by going public with a campaign to discourage juvenile smoking.

Our objective is to communicate that the tobacco industry is not interested in having young people smoke and to position the industry as a “concerned corporate citizen” in an effort to ward off further attacks by the anti-tobacco movement. ...

Strategy

To convince the target group (young people up to 18 years and parents), that smoking is not appropriate for young people. The focus is on increasing parental awareness on the subject of youth smoking and promoting open discussion with their children. ...

Sponsorship

We will strongly recommend to our markets that this commercial be sponsored by the industry, or a governmental ministry (as was the case in Ecuador). However, the final decision will be made in the field.⁵⁴ (Underline in original)

An October 1993 memo estimated that the cost of producing such a commercial would be US\$85,000, split between PM International (\$50,000) and PM Latin America (\$35,000).⁵⁵

In June 1995 PM USA launched its youth initiative titled Action Against Access (AAA). PMI also issued a “Questions & Answers” guide for the in-company use of representatives worldwide. The memo accompanying the guide states

The program announced is comparable to other programs which we have worldwide and in the different markets. Philip Morris International has long been committed to marketing its cigarettes responsibly and believe that minors should not smoke nor have access to cigarettes.

We are continuing to expand initiatives which address the issues of youth access internationally. In each case the programs are developed in concert with government, health authorities, the distribution trade and within the industry. ...⁵⁶

The questions and answers are written so that that any company representative anywhere in the world can use them. The key messages are consistent: PM is committed to preventing youth from smoking, and the company follows the laws and regulations of the countries in which it conducts business. The guide also made clear that, given each country’s unique regulatory environment and needs, the program launched in the United States would not be appropriate as an international framework.⁵⁶ In developing countries, where the definition of “minor” may vary from 15 to 21, the tobacco industry always emphasizes

that it operates within the laws of the land. Given the variance in legal age for tobacco product purchases, and the total absence of restrictions in some countries, it is never in the company's interest to exceed the minimum legal requirements, regardless of any public health impact.

In July of 1995, Cathy Leiber reinforces that the prevention of meaningful regulation is a key motivation behind the campaign in a memo titled the "Latin American Position on 'Action Against Access'" (AAA):

- ... We completely agree that our ultimate goal should be a marketplace in which only adults can purchase cigarettes. In fact, we expect that every country in the region will introduce some form of youth initiative within the next 18 months.
- There is a need to recognize that the developments in the US are at a more advanced stage than in Latin America. However, given the recent media coverage, there is a more urgent need to address the issue. If we don't do something, the antis will take this opportunity to reinforce the notion that U.S. tobacco companies don't care about people in less developed countries. ...
- In Latin America it is still quite culturally acceptable for a parent to send a child to a kiosk to buy a pack of cigarettes. Therefore, we see the need for long-term cultural/education program, supported by the industry and the governments.
While some of the PM USA steps merit serious consideration, we need to take into account that Philip Morris in Latin America is not the industry leader. Some of the USA actions would put us at a considerable competitive disadvantage. The opinion in all countries is that any youth initiative would work better if it includes BAT.
- Minimal age laws for the purchase of cigarettes is not universal in the region. In fact, there is no minimum age in Brazil, Peru, Paraguay, Guatemala, El Salvador, Honduras, Bolivia, Uruguay. In Colombia the age is 15; Argentina it is 16 and in the rest it is 18. Panama is the only country that enforces the law.
- There is widespread concern about trying to introduce new legislation—implying greater controls—when the existing minimum age law is not adhered to. There is fear that noncompliance of an even stricter law will have negative repercussions on the image of our company.⁵⁷

Notice on Packs/Carbons [AAA recommends an "underage sale prohibited" notice on cigarette packs]

- In those markets where there is a minimum age law, we agree in principle that it is a good idea. However, it was stressed that it is not practical to print notices on pack or cartons if the competition does not follow.
- In those countries where the government is seeking larger or stricter health warnings, there is a concern that this initiative would open the door for other modifications to the pack, including warning on nicotine and additives.
- In those markets where there is no minimum age law, the "underage sale prohibited" notice would be irrelevant. It is suggested, however, that a notice could read, "This product is not for consumption of minors" or "This prod-

uct is not for sale to minors." In this manner, we would be demonstrating our concern on the issue.

Discontinue Free Cigarette Sampling

- The Latin America region does not agree with the US position in discontinuing sampling.
- If PM unilaterally decided to ban sampling, it would be extremely damaging unless BAT went along, which is highly unlikely.
- Sampling activities are restricted in the region to appeal to adults only, as per PMI Marketing Code. Sampling guidelines are strictly enforced, so we see no need to discontinue this key promotional practice. ...⁵⁸ [Emphasis in original.]

Like a mantra, the reiterated concern is not about youth smoking, but about the image of the industry with regard to youth smoking and about forestalling regulation and enforcement by a government authority.

It is clear that, in the opinion of PM, any legislative, marketing and public relations efforts would have to be undertaken jointly by BAT and PM, given BAT's market dominance.

In October 1995, PMI's Marc Firestone made a presentation on the AAA program to Latin American management in which he reiterates the industry argument that advertising does not lead young people to smoke. This position is refuted by the scientific evidence,^{45, 58-60} but conveniently justifies PMI's opposition to marketing and advertising restrictions. The purported aim of the program is to make it difficult for children to have access to cigarettes by changing the behavior of retailers.⁶¹

By October 1995, the development of a Latin America youth access initiative appears to have become a "high priority" for Philip Morris. A memo from Cathy Leiber describes some of the initiatives then in place in Puerto Rico, including sampling guidelines and the following programs:

Es La Ley ("It's The Law")

One year ago PM and RJR collaborated to launch the "Es La Ley" campaign in Puerto Rico following the establishment of a law there declaring 18 as the minimum purchase age. To date, materials have been distributed to 10,000 clients.

In addition, the Government Treasury and Education departments have asked for packages of the collateral materials for distribution to establishments close to schools, as a part of their community school program called "Free of Drugs and Crime School Zones" . . .

"Aprende a Decidir por ti Mismo" ("Right Decisions—Right Now")

This RJR-PM education program which is designed to teach children how to resist peer pressure on a variety of lifestyles, has been endorsed by the Minister of Education. ...⁶² [Underline in original]

In 1996, after PM USA announced support for federal legislation on youth access, another “questions and answers” legislative guide was developed in Spanish for the Latin America market. The Spanish guide was vague enough to apply in any country, and some questions included multiple-option answers. The guide steers away from any commitment to stricter actions, such as a ban on event sponsorship, while it emphasizes that PM is only responding to specific market characteristics by its actions in the US. It also underlines the company’s main message that smoking is an adult decision and summarizes the PMI Marketing Code.⁶³

A 1996 table describes youth campaigns throughout the world, including regional ones like “Yo Tengo P.O.D.E.R.”* ^{64,65} produced by PM Latin America⁶⁶ and implemented in many countries, often with governmental endorsement.⁶⁷⁻⁶⁹ The International Bureau of Education (IBE), an agency of UNESCO (United Nations Educational, Scientific and Cultural Organization), identifies several Argentinean and Uruguayan Institutional Partners for “Yo Tengo P.O.D.E.R.,” including Ministries of Education and various family foundations. The program’s Financial Partner is listed on the IBE website as Philips [sic] Morris International, through its Argentinian affiliate Massalín Particulares SA.⁷⁰ The Panamanian Ministry of Education justifies its involvement with Philip Morris by noting that the Yo Tengo P.O.D.E.R program allows youths living in a “society that has lost its moral values” to be exposed to “positive values” and to make “responsible decisions.”⁷¹

By 1997, PMI considered that it was making progress in developing youth access programs in the region, but Cathy Leiber’s assessment was that in “order to continue to protect our ability to market and advertise to adults, we must be pre-emptive, proactive, communicative and cooperative with government officials.”⁷⁵ Part of the strategy was the development of model legislation on minimum age for cigarette purchase to be promoted throughout the region,⁷² similar to such legislative efforts in other regions of the world. It is not clear from the documents reviewed how many countries, if any, adopted the industry’s youth access model legislation.

MARKETING TOBACCO PRODUCTS

Targeting “Young Adults” and Starters

Although the documents show that marketing plans were developed for specific brands that could target all levels of

SES [socio-economic status], different age groups, and both urban and rural consumers, it is clear that the most desirable target for the tobacco industry was—and remains—young people. Although much has been written about the industry’s need to target adolescents,^{58,73-77} tobacco company documents are generally cautious about how they describe their target. The industry understands the potentially grave legal and public relations consequences of admitting that they are trying to sell cigarettes to children. There is also well-established evidence that the industry developed campaigns targeting the 18-24 age bracket, knowing that such efforts would inevitably appeal to adolescents as well.^{76,78} One thing, however, is clear: despite the industry claim that the goal of advertising is brand switching, advertising campaigns aim both at attracting current smokers and young people who might be enticed to start smoking.^{44,45,76}

In general, industry marketing plans present data on the prevalence of smoking by age, gender, and SES, with the companies using carefully-crafted acronyms like YAS [Young Adult Smoker] or YAUS [Young Adult Urban Smoker], and sometimes YAU [Young Adult Urban], to characterize their younger smoking population and targets. Although more recent plans frequently do not provide an age bracket for this category,⁷⁹⁻⁸¹ earlier industry documents were more blunt in admitting the teen target.^{76,82-84} For example, internal industry documents from Imperial, a Canadian then-BAT affiliate have identified the age ranges of 12-17 and 12-24 as “adults.”⁸² It’s clear that the objective for both PMI and BAT was to gain share in the YAUS market through targeted launches and promotions.^{3,6,8,13,20,79,80,85-91} The marketing-related documents sometimes list smoking prevalence by 18-24 or 18-25 age group, but these age ranges do not always match those provided for the more loosely-defined YAUS.⁷⁹

Despite industry claims to the contrary, several company documents indicate that current smokers—potential brand switchers—were not the sole marketing target, and that “starters” were every bit as important.⁷⁶ A detailed Nobleza-Piccardo 1992 Brand Strategies report describes the target demographics for several of the companies’ cigarettes:

Camel is the U.S. International full flavour cigarette for men who see themselves as independent, self-assured and individualistic in their lifestyle. The target smoker is male, urban, aged 18 to 24 and ABC1. Starters are an important part of the target. ...⁸¹

A 1994 Belmont plan for Costa Rica makes clear that the brand’s target are not only the “YAUs” but also lists

* The campaign title is translated as “I’ve Got Power,” but “P.O.D.E.R.” is also an acronym for “Propósito, Orgullo, Determinación, Entusiasmo, y Responsabilidad” (Purpose, Pride, Determination, Enthusiasm, and Responsibility).

“growth in the mild YAU, ABC [SES], starters and female segments” (which were “Derby’s stronghold”) among opportunities and market share objectives.⁹² The plan identifies the “Target Market”:

Target Market—Primary: Men and women, 18 to 24 years of age, urban, middle and upper-middle class, starters and young Derby smokers. Opinion leaders and trend setters.—Secondary: Downtraders from Marlboro ... sampling to the consumers in conjunction with the promotional activities in key YAU and HORECA [Hotel, Restaurant] outlets.⁹³ [Original in all caps]

A 1994 SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of Marlboro in Latin America states that Marlboro’s brand is “#1 in terms of starters and young adult smokers”.⁹⁴ And a 1994 “Competitive Advertising Report”, discussing Bigott’s Belmont in Venezuela, identifies “young new smokers” and “actual smokers (women-men) 24 years old, BCD+ Social class, urban character” as the target audience for an advertising campaign. The brand character once again provides insight as to how the industry chooses to portray a deadly product: “Belmont is youthful, gregarious, spontaneous, fun-loving, irreverent, daring, free-spirited, outdoorsy and free status symbols...”⁹⁴

In another example, a 1992 Costa Rican document describing results from focus groups mentions eighteen as the lower-end age for the research, but the description of the plan implies a younger target:

Following a prior visit identifying the DERBY brand as a significant competitive threat supported by an advertising campaign targeted at a key motivational uncertainty for the Costa Rican consumer (boy-girl interaction), this visit was devoted to observation of the first phase of a recommended action plan. ... [To construct] a valid alternative advertising campaign for a brand to challenge DERBY (Project JOSEPHINE) ... Objectives: 1. To describe values, attitudes and aspirations of Costa Rican YAU’s ...⁹⁵

The identification of YAU (Young Adult Urban) separate from young smokers, for whom the acronyms of choice are YAUS and YAS, implies a target of young people who are not yet smokers. If this interpretation is correct, it begs the following question: Why would the industry want to identify the aspirations of young non-smoking Costa Ricans if it didn’t wish to target them as potential customers?

Targeting Young Women

Women constitute another coveted target market for the tobacco industry. In most developing countries, it is only recently that smoking prevalence among

women has started to increase, due in no small part to aggressive industry marketing. Latin America has proved no exception, with smoking rates among women still low in many countries but expected to increase.⁹⁶ A 1994 proposal from the Leo Burnett advertising agency discusses the “opportunities in Latin America” for the Virginia Slims brand. The document provides an overview of the US development of this brand designed specifically for women (“Typical Slims smoker wanted to feel confident, successful, and more secure in her femininity”⁹⁷). It also discusses the brand’s success in Asia, attributed to an ability to understand the issues related to women in different cultures and to “understand communication approaches which will positively impact female perceptions and attitudes about Virginia Slims”.⁹⁷ For the specific needs of Latin America, the plan states:

It makes sense to explore opportunities to launch Virginia Slims in Latin America for the following reasons:

- There are currently no major cigarette brands which have established a female brand position in Latin America
- Image and beauty are strong elements in Latin American society
- Females have distinct and different roles than men in Latin American society
- Latin American females tend to be more confident about their appearance than US and US Hispanic women
- Latin American females tend to be very involved with fashion
- Latin American females seem to be comfortable with the concept of femininity⁹⁷

The document provides a detailed plan of the marketing research necessary to develop the brand in Latin America, including to

... determine appeal for female positioned product ... understand the mindset and attitudes of Latin American women [and] understand the mindset of Latin American men toward such a positioning (the influence of men in Latin American society is very strong)...⁹⁷

A 1994 table describes some of the PM brands in the Latin America region, their target group and the message each brand conveys. For example, Marlboro’s target is “young adults (male) smokers of mainstream/high price brands, seeking value via TOP international image”; Merit’s (a “low tar” brand) target is the “health conscious. [M]id and mid high brands (FF [Full Flavor] & suaves/Lights); Virginia Slims’ target is “female young adults seeking a feminine symbol”.⁹⁸ Gender is just one targeting factor, along with SES and age, but the stakes are high as women’s smoking rates are still lower than men’s in most parts of the world.⁹⁹

10's Packs: Making Cigarettes More Affordable

An important youth marketing strategy for the tobacco industry, discussed at length in the industry documents, was the marketing of "10's", cigarette packs with 10 sticks, as opposed to the standard "20's". In a region beset by economic instability, and home to a large youth population with low purchasing power, the launch of "10's" gave the tobacco industry another option to increase sales and push its more expensive brands. Another goal in marketing 10's was to attract "stick purchasers" (single unit cigarettes buyers) without losing buyers of the 20's. It was also perceived as an opportunity for upgrade (i.e. trade into a more expensive brand) at a lower cost.^{18, 100} The 10's pack was launched throughout the region in the early and mid-1990s.^{1,3,5,11,101-106}

A PM study provides an overview of the 10's campaign in the region:

Where has Latin America launched 10s?

In Latin America, 10s are sold throughout the region except in Brazil, Costa Rica, El Salvador and Mexico. However, 14s and 15s are available in Mexico.

Major 10s markets include: Argentina, Dominican Republic, Guatemala, Panama and Venezuela.

Why has Latin America launched them?

The main objective behind the launch of 10s in Latin America is price, which can be attributed to:

Lower Cash Outlay: In a region where the economy is still a major concern in most markets, the presence of 10s increases a brand's affordability by reducing out-of-pocket expense. Although the price per stick is the same, the cash outlay is reduced by 50%.

For instance, when the economy in Argentina deteriorated and 20s became unaffordable, 10s grew. Once the economy improved, consumers upgraded to 20s. ...

10s Pack Success

Major 10s markets include: the Dominican Republic, Panama, Guatemala, Venezuela and Argentina. PM brands that have been successful in Latin America include: Astor, Chesterfield, L&M, Lark, Le Mans, Marlboro, Merit, Nacional, Philip Morris and Rubios.

Advertising

10s are advertised using the brand's main campaign. During the introduction phase, special POS (point of sale) and TV spots may be used, usually focussing on price.

However, Marlboro Box 10 in Argentina is always advertised separately from Marlboro 20s. In this case, however, the unique packaging is the real news (perceived as younger and more modern by YAS).¹⁰⁶ [Underline in original.]

Sponsorships

Sponsorship of events is a key marketing tool for the tobacco industry.¹⁰⁷⁻¹¹¹ As described in a 1994 BAT media plan for Benson & Hedges (B&H),¹¹² the main objectives when spending money on sponsorships are:

- To augment the advertising campaign by publicizing the brand and brand image via mass [sic] media coverage generated by sponsorship
- To assist defined areas of marketing policy in achieving predetermined objectives.
- To gain media exposure on a grand scale
- To reach a highly targeted audience in an alternative and responsive mood. ...¹¹²

The document also recommends sponsoring music and sports events, both of which appeal disproportionately to youth. Thus, different cigarette brands throughout the region are associated with sports and music events (including bar and disco promotions) that are more likely to appeal to the young, as well as cultural events. These sponsorships are "standard" marketing activities in Latin America and the Caribbean.^{6,8,13,15,92,105,113-142} and in line with similar patterns worldwide.^{76,143,144}

There are examples of other types of sponsorships, such as Trinidad and Tobago-based WITCO's [West Indies Tobacco Company] "Sports and Family Day" and its donations to the Ministry of Education.¹⁴²

The documents also discuss the use of sponsorships as a direct marketing strategy, such as the creation of the Lucky Strike Club in Venezuela to promote Lucky Strike cigarettes. Lucky Strike Club was also used as a defensive strategy to counter advertising restrictions in Venezuela and to prepare for incipient restrictions in other countries.^{145, 146} A detailed 1994 report about the "Lucky Strike Club" in Venezuela states that

... with Venezuela already suffering from restrictions in both TV and Radio media for cigarette advertising and the high possibility that these restrictions will be further increased in the short term, it has been necessary to develop marketing strategies and tactics in other areas of the marketing mix. The first of these new tactics is in the area of Direct Marketing ...¹⁴⁶

Sponsored parties and club dates also provided a way for the industry to collect names and build a database of customers. As well, BAT heavily promoted Lucky Strike through sponsorships as its international brand in an attempt to gain share of market among the YAU and erode Marlboro's advance in the region.^{1,80,91,102,103,147-151}

International Brands

A key component of marketing plans was the need to improve sales of international brands. This was a goal shared by BAT and PMI, and was discussed once again mostly within the context of youth market share. The growing interest in globalization was seen an opportunity

to promote the "American" or "international" image of international brands to youth in Latin America. In addition to Lucky Strike (see above) and to Marlboro, discussed below, other international brands were also being promoted. In a 1991 marketing meeting PM stated that, faced with growing restrictions, sponsorship would become more critical to the expansion of all of its international trademarks, not just Marlboro:

... as advertising restrictions become more widespread, event marketing is becoming a more important communications tool for the development of international brands [such as Merit, L&M, Chesterfield]. Presentations [at the meeting] should also focus on how we can expand event marketing ideas ...³⁶

However, the promotion of various brands was closely linked to the ultimate strategy of selling Marlboro, as a discussion of marketing strategies for L&M shows:

- BAT leads in most markets with local brands.
- Use L&M as a quality American brand at an affordable price to serve as a stepping stone to Marlboro in competition with BAT's local brands. Will need 10's [cigarette

pack with 10 cigarettes]. Focus will be on "smooth American flavor."

- Succeeded in Argentina and Bolivia ...

Promotional home—American Rock Music

- Appeals to target and ties into American roots and campaign—"L&M Music"/Regional (Tours and concerts, ties in with record companies, radio show cassettes distributed to radio stations/Local (music hotline radio shows, trade activities programs, L&M music club). Link L&M with FM radio.³⁷

The focus on affordability and on music sponsorships suggests that L&M was aimed at a youth market that could not yet afford to smoke Marlboro. The focus on youth is discussed more explicitly in other documents, as below.

An October 1991 presentation about L&M in Latin America discusses the international brand trend at a time when L&M had 52% of share of market in Bolivia, the highest worldwide for the brand. This was seen as a sign of the potential for L&M to open up the Latin American youth market to other international brands:

FORMULA 1 1993 STUDY

In 1993 Philip Morris International commissioned a study on the effectiveness of Formula One auto racing as a marketing tool worldwide. The study, which included Argentina, Brazil, Mexico and Venezuela,¹⁸⁶ demonstrates the value of sponsorship as a marketing tool generally as well as its particular success in reaching youth. The conclusions state:

... the results of this survey [are] extremely positive for Philip Morris and Marlboro. ...

Sponsorship attitudes are primarily realistic. Sponsorship is "good" because it helps the sport [one of the choices for answer in the survey] is thought mostly in all countries, although those in Mexico are more likely to recognise it as just another form of advertising. Few people feel it should be banned with Brazilians the most likely to feel that it is too influential. Introducing the concept of tobacco sponsorship, increases the "advertising" response, but it still creates no strong objections at a regional level. ...

Marlboro was the most mentioned sponsor in all four countries ... [it] is by a significant margin the strongest brand in Formula 1. ...

Our overall assessment, based on this survey of motorsports followers, is that they have a high regard for Formula 1, and are well aware of the

major role played by Marlboro. There does appear to be a link between smoking and Formula 1 and Marlboro is the most smoked brand in the survey. ...¹⁸⁷

A presentation discussing the survey results describes in more detail each of the country's consumers attitudes about F1 and Marlboro sponsorship, general marketing activities, selected comments made by young adults who participated in the survey, and conclusions from in-depth research in Argentina:¹⁸⁸

... "Formula 1 is the Marlboro symbol par excellence, and has the highest spontaneous recall and the strongest brand association among all sports."

(1993 in-depth research, Argentina)

"Formula 1 is a high speed sport, and speed calls attention of young people who smoke Marlboro, who enjoy adventure and different things."

(y.a. male smoker, Brazil)

"Marlboro matches with Formula 1 by the adventurous side, but there is another side of Marlboro which is the freedom and is a part of Marlboro which doesn't go away."

(y.a. male smoker, Brazil)¹⁸⁹

... Among many young adults, the F-1 driver is seen as the modern cowboy taking on the hi-tech challenge of the modern horse.

In summary, Formula 1 is an indispensable marketing tool for Marlboro, with high appeal to target consumers in all markets. Moreover, it is of vital importance to markets with total or severe advertising restrictions.¹⁹⁰

The regional "Action Plan" was defined in this fashion:

... We need to continuously re-focus Formula 1 programs to YAS to give the sport a new look and make it fresh, exciting and appealing.¹⁹¹

These documents reveal privately what the companies are loathe to admit publicly: that sports (and F-1 in particular) are a critical promotional tool for cigarettes; that sponsorships are seen as a central, effective marketing frontier in the face of other advertising restrictions; and that one of the main advantages of the F-1 campaign is its resonance with youth. Ironically, the documents also show PM's awareness that it needed to tread carefully to ensure that the public and governments did not see the F-1 promotion as too aggressive, lest it also become a target of promotional restrictions.

In the past, young adults throughout Latin America were attracted by nationalistic concepts and preferred their own domestic brands. At the world shrinks, attitudes and consumer preferences are becoming more global. ... Young adults everywhere seem to share certain aspirations in common. ... [Marlboro's] growing popularity can help spur interest in some of our other international trademarks. The 90's may just be the right time for such a move in Latin America. ... [W]e should position L&M as a quality American product at an affordable price that appeals to young adults. ... More importantly, this positioning allows L&M to serve as a stepping stone to Marlboro, whose continuing profitable growth is vital to our business. ... [Different versions of L&M would be used depending on market preferences in each country.] The communication will focus on the brand's American heritage and its quality through superior aspirational advertising and impactful promotions at trade and consumer levels....¹⁵²

A 1992 presentation summarizes L&M's successful introduction in Brazil and confirms the interest of other companies in targeting competitive international brands to youth:

For young adult smokers, L&M is a contemporary American high quality, low tar and nicotine brand, available at an affordable price (competitive to local mainstream). [A hand-written note adds "politically correct"] ...

As a consequence of L&M's introduction, Brazil has been the Latin American market with most advertising "news":

- American/International brands (Viceroy, Pall Mall) launched in response to L&M's introduction. Young and contemporary language, video clip format, lack of concept, American/International image.
- Traditional brands (Free, Hollywood) that updated their communication to appeal to Y.A.S. ...¹⁵³

Another PM international brand seen as having potential to fight the local brands in Latin American was Chesterfield. A 1992 memo suggests an extremely cynical Chesterfield marketing campaign that is overtly targeted to "young" adults, but that plays on the need of this target group to feel grown-up:

- Latin America will probably delay the launch of the Chesterfield "Not your first" campaign for several months, probably until the last quarter. ...
- [The advertising campaign] will be tested in four markets in Latin America: Argentina, Brazil, Dominican Republic, Uruguay. ...

Summary of Latin America's Input:

- The feeling is that Chesterfield "Not your first" is a good campaign. It is impactful for young adults.
- We must remember to simplify the idioms.
- The brand must be seen as an international brand talking to medium and lower classes. The global concept is much more important. We don't want the same brand in one country to be a price fighter and something else in another. ...¹⁵⁴

"Not your first" implies the need that young people to feel that they are wise in the ways of the world, and no longer part of youthful experimentation (with cigarettes or other "rites of passage" into adulthood). Of course the cynical reality is that the campaign would have had enormous appeal to those curious about trying their first cigarette, or other "adult pleasure."

BAT also developed international brands, both to retain its leadership position in the region and to specifically address PMI's threat.^{16,155} In the discussion of a coordinated regional strategy for Central America, Lucky Strike was viewed as the key competitor to Marlboro:

... [Brand Strategy] The priority is to develop and establish Lucky Strike as the full flavor international brand throughout the region [to compete directly with Marlboro with eventual extension into the "lights" and "menthol" segment]...¹⁵⁵ [Emphasis in original.]

The "Lights" Deception: Detering Smokers from Quitting

One of the most deceptive cigarette marketing campaigns over the years has been the promotion of so-called "low tar" cigarettes. The tobacco industry remains intent on defending its ability to employ deceptive descriptors such as "light", "mild", "low tar", "low nicotine" and others, even in the face of overwhelming scientific evidence that there are no health benefits associated with switching to "light" or similarly described brands.¹⁵⁶⁻¹⁶² The biggest crisis faced by the industry in the 1970s and 80s in North America was not only the recruitment of new smokers, but also the retention of those customers in the face of growing evidence of the health risks of smoking. Industry documents discuss the need to "reassure" worried smokers and retain them in the market for as long as possible in the face of health concerns.¹⁶¹⁻¹⁶⁵ This crisis repeated itself later on in time in Latin America and the Caribbean.

The documents describe the increased marketing, and subsequent growth in consumption, of the so-called "light" and "mild" brands,^{1,166,20,167} and provide evidence that the tobacco industry wanted to take advantage of increasingly health-conscious consumers by portraying "lights" as a healthier alternative in Latin America, as it had done in North America more than a decade earlier. A PM meeting discussing the Latin America market describes forays into this market:

Brazil—Golden flanker project

- Factors: Downtrading, switch to white tips (mildness perception), more female smokers. White tips—Galaxy, Luxor, Plaza. Hollywood losing to Free and Plaza, but Free also losing to Plaza and vice versa. To be economically feasible,

product would be 12-13 mg. not truly LTN [low tar and nicotine]. "Golden" will be endorsed by Galaxy; it's a mild product with flavor. [These are cigarette brands sold in Brazil.] ...

Project Suave

- Category includes real and perceived LTN's with white tipping.
- Freshness is an important attribute (menthol is not desirable). Australia's "Forest" or EEC's "Vitality".
- Pack—avoid green, use blue.
- Product—hint of menthol. "Fresh Lights"—" the only cigarette with a touch of freshness". ...

Comments: ... Latin America

- ... Suave/fresh cigarette—be careful not to push menthol perception. European product in this area seem to be on the right track. ...⁴¹

A 1994 Worldwide review of Marlboro Lights includes the following LA countries: Argentina, Brazil, Dominican Republic, Mexico and Venezuela.¹⁶⁸ It describes market gains made by Marlboro Lights, as well as some of the image attributes and problems associated with the new product:

Argentina, Dominican Republic, & Venezuela

- Marlboro Lights is the most highly rated LTN brand in the market.
- Marlboro Lights has an overall lower level of imagery rating compared to Marlboro Red (except for Venezuela).
- Marlboro Lights has an up-scale image, more appealing to students, executives, YAS and women.
- Marlboro Lights is a smooth, mild, light, and fresh tasting cigarette which is better for your health. On the other hand, it is not as satisfying as Marlboro Red.

Brazil

- The images and perceptions of Marlboro Red and Marlboro Lights are clear and distinct:
Marlboro Red : Masculine; Strong, virile, conquer, dominate; Savage; Definite personality (prestige, action, freedom, determination, nature, cowboy); Complete pleasure; Classic, quality, international; Attract, call attention to brand; Everybody smokes.
Marlboro Lights: Feminine; Weak, neutral; Domesticated; Without personality (in Marlboro Red's shadow but elegant); Half pleasure; Refined, quality, international; Discreet; Few people smoke.¹⁶⁸ [Columns and bullets removed]

Marlboro Advertising and Marketing

Marlboro is the engine of PM's success and, according to a major recent survey, the eleventh most recognizable brand in the world, behind Coca-Cola and Disney, but ahead of Mercedes, Sony, Kodak and Nike.¹⁶⁹ The product's marketing provides a signal overview of PM and the industry's central priorities and practices: targeting of youth, association with sports, and competitive pricing.

PM has crafted a global Marlboro campaign that trades on the brand's name recognition to penetrate new markets or steal market share away from competitors.¹⁷⁰⁻¹⁷³

The Latin America strategy for Marlboro was in line with the worldwide campaign, although Marlboro's cost was a concern for entry and growth in the Latin market.^{174,175}

A series of documents titled "Marlboro Monitor" provide a summary of the Marlboro market worldwide: sales, share of market [SOM], market trends, smoking incidence, percentage of smokers switching to Marlboro, and the ability to attract and maintain young Marlboro smokers, mainly those 25 years old and younger. These documents extend to other parts of Latin America, but focus mainly on Argentina, where Marlboro has been most successful. They show how Marlboro and Marlboro Lights attracted consumers in Argentina, particularly among the under-25 group.¹⁷⁶⁻¹⁸² Sponsorship of sports events, principally Formula 1 auto racing, was deemed essential for the marketing of Marlboro in the region.¹⁸³

A 1990 presentation provides an overview of the Marlboro situation in Latin America:¹⁸³

Marlboro in our region is a dynamic brand, not only in terms of sales growth, but also in spirit.

The consumer profile shows that Marlboro smokers are generally younger than the average smoker, and of higher socio-economic level. They are active people with modern and upbeat lifestyles, and confident and competitive by nature.

One of the factors that has contributed the most to keep Marlboro's image young and dynamic in our region, has been our involvement with innovative sporting events. ...

Marlboro association with international/prestigious events, such as Formula 1, has contributed enormously to its popularity among young adult smokers in Latin America. ... One of our main strategic goals in our marketing mix is to give more importance to Formula 1-related activities. ... We are still able to use T.V. advertising to communicate and reinforce Marlboro's image in association to this prestigious event. We must take full advantage of this medium, which in most countries still has the greatest reach, and fully capitalize on Marlboro's winning presence in the sport by maximizing the use of Formula 1-related promotional spots in combination with our traditional cowboy campaign.

[Hand-written notes add]

- Jet ski ...
- Association with the "U.S.A." is still very impt. [important] in LA just like Coke- it's the real thing ...
- Associating, the spirit of the young + free (cowboys, fast cars, jet skis, adventure) will always appeal to the young ...¹⁸⁵

A discussion of marketing strategies for Marlboro in Latin America at the 1990 PMI marketing meeting reinforces the critical association of the brand with sports to keep its image "young":

- Argentina: mini Olympics, creation of innovative sporting activities, sponsorship of existing sports, sponsorship of personalities compatible with the brand
- Sport relationship, especially F-1, helps to keep the brand young ...

- Marlboro Lights is younger than Red and somewhat more female. Success is due to strength of Red image, therefore, no separate advertising or promotional identity will be created.¹⁸⁴

The minutes of the 1991 PMI marketing meeting reinforce the previous year's findings and provide additional information on Marlboro's vaunted place in the LA market:

- Marlboro red exceptionally strong among young adults—especially in Mexico, ... Argentina...
- Marlboro continues to look strong as a result of young adult smoker shares and starters versus quitters. ...
- Marlboro greatly outperforming the industry in Latin America. Growth was especially strong in Mexico, Argentina, and Brazil.
- Aging is not a problem for Marlboro in Latin America.
- Strong use of sports as well as country advertising.
- 10's of special interest in markets with reduced purchasing power (also 14's) especially Dominican Republic & Panama. Argentina results: when properly priced, 10's (1x10 pack) do very well.
- Marlboro Lights strong in Dominican Republic, Ecuador and Venezuela³⁷

An undated presentation on “new ideas” for Marlboro promotion in Latin America proposes the creation of contests titled “city slickers” and “racing school”:

“City Slickers

- People live for a week in a ranch as a real cowboy.
- Transport people to the Marlboro Country.
- Ranch would be Marlborized. ...
- Novel type of activity, relevant to target group.

Racing/Driving School

- People taken to driving training center (USA, England) ...
- Marlboro F1 drivers could participate in this activity.
- This type of activity is totally unique, relevant, aspirational and novel for our target.¹⁸⁵

The document also discusses the “Marlboro Country gear [clothing] catalog” as “excellent to collect names for data base,” and suggests promoting a Marlboro Western film festival and a Marlboro Western fair to “locally recreate a western atmosphere with a series of events related to Marlboro Country.”¹⁸⁵

CONCLUSION

With few exceptions, notably in Brazil, and to a limited extent Venezuela, there has been little legislative or regulatory progress that would seriously restrict tobacco promotion in Latin America and the Caribbean. The tobacco industry continues to lobby heavily in order to thwart legitimate efforts to curtail its advertising and marketing practices. The industry promotes voluntary codes and youth access programs it knows to be ineffective, often enlisting the cooperation of naïve governments or youth organizations desperate for funding. The industry is adroitly anticipating possible future restrictions, and relies on brand and trademark diversification, new sponsorships and point-of-sale marketing to attract new smokers and to maintain a hold on current ones.

Despite industry claims to the contrary, once-secret documents show clearly that youth and starter smokers are major marketing targets. The industry conducts lobbying campaigns that focus on the defense of free speech and its right to “inform” consumers. However, the industry commonly uses its free commercial speech to confuse and misinform the public by downplaying the health effects of smoking and by portraying an addictive product as a symbol of liberty. Given the extraordinary and rapidly increasing health burden imposed by tobacco on Latin American and Caribbean societies, strong regulation and legislation are more greatly needed than ever.

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V. CIGARETTE SMUGGLING

Tobacco products are the only legal consumer goods that kill people when used exactly as directed by the manufacturers. However, tobacco products are also distinguished by the fact that they are increasingly sold illegally all around the world. It has been estimated that fully one third of global annual cigarette exports cannot be accounted for via legal distribution routes.¹

The tobacco industry has been taken to court by Canada,² the US,³ Ecuador,⁴ Colombia,^{5,8} and the European Union^{9,10} as governments begin to challenge the industry for its apparent active, willing participation in the illegal transit of tobacco products. The goal of the lawsuits is to recoup tax revenues that would have been earned had the unaccounted-for cigarettes been distributed through legal channels. In the UK, in October 2000, the Secretary of State for Trade & Industry appointed investigators "to look into allegations that British American Tobacco plc (BAT) was implicated in smuggling".¹¹⁻¹³ Investigations in Colombia have led to charges of involvement in the Black Peso Market, where drug money is laundered with the profits from smuggled cigarettes.¹⁴⁻¹⁶ In these and other proceedings, the tobacco industry continues to deny any wrongdoing.¹⁷⁻¹⁹

A number of investigative reports^{15,16,20-30} and summaries,^{31,32} based largely on material from the tobacco industry archives in Guildford, England, have already shown the extensive involvement of the industry in shipping cigarettes to centers known to distribute those cigarettes illegally in a number of global markets. The most recent charges claim that U.S. tobacco companies have been willing to illegally ship cigarettes to Iraq,^{33,34} one of the countries included in United States President George W. Bush's "axis of evil".³⁵

Latin America has proved a particularly important center of activity for illegal shipments, as the above-cited court proceedings and investigative reports have shown. The primary philosophy of the industry in approaching the Latin American market is revealed in a telling comment made by BAT's deputy chairman Kenneth Clarke in 2000:

Where any government is unwilling to act or their efforts are unsuccessful, we act, completely within the law, on the basis that our brands will be available alongside those of our competitors in the smuggled as well as the legitimate market.³⁶

On a country-by-country basis, the findings of documents uncovered by PAHO reinforce and amplify the observations and conclusions of earlier investigations.

There is a competitive rivalry between Philip Morris (PM) and BAT for domination of national markets. When standard business practices yield unsatisfactory results, or where one company appears to be gaining a competitive advantage via illegal distribution chains, both firms show a willingness to increase their own illicit activities in response. Using phrases like Duty Not Paid (DNP), transit, border sales or border trade and General Trade (GT) to describe products distributed outside of the legal market, executives of Philip Morris, BAT and their Latin American subsidiaries frequently discuss the best ways to obtain their "fair share" of unfairly acquired commerce. The companies also discuss Duty Paid (DP), or legal, trade, but show only infrequent hesitancy about operating on both sides of the law.

The primary motive for engaging in the DNP business is, of course, to increase both share of market (SOM) and profits. The DP and DNP marketing plans are often developed in tandem. For example, a company may obtain a license to legally import a certain brand into the country, bringing in a token number of shipments under that mandate while also proceeding to flood the market with DNP product. The legal export serves to justify legal advertising and marketing campaigns for a brand that is, in essence, being supplied through illegal channels.³⁷⁻³⁹ Additionally, the pricing strategies of DNP and DP products have been carefully timed and developed so that an increase in one segment is followed by a hike in the other, maintaining whatever price gap has been deemed ideal for the given market.^{38,40-44} The documents reviewed also discuss how BAT developed special codes for GT packs, presumably in an effort to track shipments.^{45,47}

This deliberate strategy to ensure that illegal channels are well-supplied with cigarettes, that promotion and pricing strategies cater to those channels, and that collusion to divide markets within the illegal channels maximizes growth and profits is important to public health for at least three reasons:

- the downward pressure that the illegal market places on cigarette prices increases the overall affordability of cigarettes and in consequence increases tobacco consumption, particularly among youth;
- the existence of a large illegal market allows the companies to lobby governments to lower taxes to compete with the price of smuggled cigarettes, further decreasing prices and increasing consumption;
- smuggling allows companies to introduce new brands into markets where they might not otherwise be able to enter, with a resulting advantage for “international brands” that are attractive to untapped demographic groups, most notably children.

The following provides an overview of regional strategies by the companies to manage the “DNP” market as well as activities in specific markets within Latin America.

OVERALL REGIONAL STRATEGIES

The documents reviewed by PAHO provide compelling evidence of industry involvement in facilitating the illegal transit of tobacco goods, and at the highest corporate levels. Only a handful of countries are discussed in detail below but the strategies described apply across other national boundaries, as reported elsewhere and referenced above. In addition to individual country strategies, BAT also developed regional strategies to take advantage of the DNP market.⁴⁸⁻⁵¹ For example, several documents address the creation of a New Domestic Market (NDM), including Paraguay, Peru, Colombia, Ecuador, Uruguay and Bolivia, and describe how the DNP or GT segment was an intrinsic part of this new business endeavor.^{48,52-55}

The summary of a 1994 meeting with the objective of determining “the optimum organization for the management of Colombia, Paraguay, Peru, Bolivia and Ecuador to cover DP and DNP markets and propose steps for its implementation”⁴⁸ recommended:

- Colombia should be a stand alone operation with direct reporting line to the RBU [regional Business Unit] ...
- The new NDM [New Domestic Markets] should be redefined to take care of Ecuador, Peru, Paraguay, Bolivia and Uruguay. ...
- The GT operation should be centralized for the region and report direct to London. We recommend Miami as a geographical location because we must exclude the countries where we have [GT] operations ... The office for the GT operation will have basically two persons, one in charge of Venezuela, Colombia and Ecuador having also the overall responsibility for the GT reporting to London, and the other person in charge of the rest of the region reporting to the GT Manager.⁴⁸

The meeting summary also includes a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) that lists as threats:

- The [regional] trading groups can become a threat because of the elimination of tax barriers ...
- [In the GT operation] Management and staff should not be in contact with market.⁴⁸

The documents also describe in detail the preferred routes for distribution and some of the distributors involved with the tobacco industry.^{43,56-60} Table 5.1 provides examples of such distributors, based on a 1993 document proposing better coordination and management of the DNP business in the region.⁵⁸ Keith Dunt, then BAT’s regional manager and author of a document outlining “Distribution Channels for Latin America” explains that

due to the sensitivity, management and co-ordination of the DNP business, all brands should be concentrated on one operator per channel ... [Border Trade] There should be complete clarification in the co-ordination and management of the DNP ... Due to the importance of this business in the region, we propose that a “Border Trading Group” be formed to monitor and take decisions, when appropriate, to protect BAT Industries’ interests. It is recommended that there be one member from Souza Cruz, one from Nobleza Piccardo, and one from BATCo.⁵⁸

Although the documents reviewed by PAHO include BAT’s plans to delay or obstruct the creation of Panama’s Colon Free Port (a threat to the DNP business),⁶¹⁻⁶⁴ the Aruba operations^{41,65-70 71,72} conveniently close to the North coast of Venezuela and a “linchpin” in the illegal Latin American tobacco trade,²⁰ are not reviewed here, having already been the subject of thorough reporting by the International Consortium of Investigative Journalists (ICIJ).

VENEZUELA

In the early 1990s, BAT’s Venezuelan subsidiary, C.A. Cigarrera Bigott, was struggling to regain control of the Venezuelan domestic market (including both DP and DNP segments, in BAT’s terms) while maintaining a “good” corporate image vis-à-vis the government.^{42,67,73-76}

In June 1992, BAT’s then-Finance Director Keith Dunt wrote to Delcio O. Laux, then president of Bigott commenting on Bigott’s marketing guidelines and stating

The DNP sector of the market is a major threat to your market share. You should assume this is an integral part of your domestic business which will require specific and appropriate strategies to regain the initiative. Your dedicated target is to recover an 80% SOM total within the plan period.⁷⁷

In April 1992, Laux had written to Dunt, discussing "Project Lean." In that communication, Laux gives evidence of a desire to act ethically:

...It is noted that Bigott will follow the good citizen strategy... It is clear that Bigott can't be seen as a clean and ethical Company by continuing with DP and DNP in parallel.⁷⁸

However, Laux's ethical concerns are strategically balanced by a desire to both influence government policy and reap the benefits of involvement in the DNP, or smuggled goods market:

To adopt a more aggressive stance with the government to force a ban, it is important that Bigott has a clean appearance. There exists the risk that some BATCo Operating Company has replaced the reentry product this could also be exploited by the competition. ...Should BATCO be proactive then this is the opportunity to gain a share of close to 80% of DNP. BATCo will maintain 80% of DNP whilst no competitive 70mm product is available. Once the competitor start [sic] shipping our share will drop to ± 60% of the segment. ...Our recommendation is that we should be proactive on this project, so that we start to address the contraband issue more aggressively with government.⁷⁸ [Emphasis in original as handwritten underline.]

For Laux, Bigott and BAT, it is not as important to act properly as it is to have "a clean appearance". This is not

surprising, given that BAT's expectations for Laux were to both "maintain a 75% market share in the duty paid domestic market and grow from 65% market share when considering duty not paid ..." and "maintain excellent corporate image and relationships with government bodies, press, neighbors, farmers and their association.[sic]"⁷⁹

Another attempt to play both sides of the ethical fence is seen in a memo from BAT's Mark E. Waterfield to Bigott's Laux. Waterfield writes:

BATCO share of others D.N.P.-very low price segment: It is recommended that a BATCO Company is given responsibility to develop the group share of the others D.N.P. segment of the Venezuelan market. It would be inappropriate [sic] for Bigott's marketing staff to develop the strategy to increase share of this segment. The role of Bigott is to persuade the authorities to close the borders and confiscate D.N.P. product which is transitted into Venezuela.⁸⁰ [Emphasis in original]

In this classic "good cop, bad cop" routine, Bigott lobbies the government to get tough on smuggling, as would any legitimate business, but leaves in place a strategy for a sister company that ensures that Bigott won't miss out on DNP market opportunities.

TABLE 5.1: DISTRIBUTION CHANNELS FOR LATIN AMERICA

Market		B&WIT	Souza Cruz	BATCo.	Future
Colombia	DP	Restrepo	Tropi		Tropi/Restrepo(?)
	DNP	Romar/Giovanex	Romar/J. Vegaz/Giovanex	Romar	Romar/Giovanex
Panama		Giovanex	Giovanex	TISA/Romar	Giovanex and Romar
Suriname	DP		Icomtrade	Icomtrade	Icomtrade
	DNP		Icomtrade	Icomtrade	Icomtrade
Guyana	DP		n.a.	Demerara	Demerara
	DNP		Icomtrade	Icomtrade	Icomtrade
Ecuador	DP				?
	DNP			TUSA/Motta/Segovia	?
Peru	DP	Peru Tabaco	Peru Tabaco	Peru Tabaco	Peru Tabaco
	DNP	General Supply	Extralan	G. Supply /Extralan	Extralan
Bolivia	DP	Marinho	Marinho	Marinho	Marinho
	DNP	General Supply	Marinho/Extralan	G. Supply /Extralan	Extralan
Paraguay	DP	Saba	n.a.	Gloria/Saba	Saba
	DNP	n.a.	Santimar	n.a.	Santimar
Uruguay	DP	Republicana	n.a.	Republicana	To be reviewed
	DNP	Diltox	Extralan	Waltrix	Extralan?
Iquique [Chilean Free Trade Zone]		General Supply	Extralan	G. Supply /Extralan	Extralan
P[unta] Arenas [Chilean Free Trade Zone]		Jacqueline Int'l	Jacqueline Int'l	Jacqueline Int'l	Jacqueline Int'l

Source: Dunt K. Letter to Andrew Gray and Dick Green [Re: Discussion paper on South American Business]. Nobleza-Piccardo. November 30, 1993. Buenos Aires, Argentina. Bates No. 301742115/301742122 [Blank rows removed.]

The reasons for Bigott's approach can be better understood in the context of a 1992 memo from P.M. Bingham of BAT marketing to Keith Dunt. Bingham notes that one of the key action points was "market dominance of DNP segment" and he outlined 'Strategic issues, options and priorities' for Bigott as it faced challenges from the Philip Morris Venezuelan subsidiary, Catana:

BIGOTT has a relatively high share of the DP market but a relatively low share of the DNP market. Market dominance of both markets is essential in order to minimise the threat of CATANA [PM's Venezuelan affiliate] in the domestic Venezuelan market.⁸¹

In no uncertain terms, the author recommends that, if Catana moves one of its brands, Belmont, through illicit channels, Bigott must be prepared to do the same, using its Astor franchise. He also notes that Bigott can cover its tracks by going through countries where Bigott already holds the Astor trademark.

With regard to the probable resistance from CATANA to raise DNP prices and in particular the price of ECU Belmont, BIGOTT should be prepared to issue and carry out the legitimate threat/negotiating lever of supplying ASTOR (we own the trademark in Peru, Bolivia, Aruba) to the DNP market. To do this legitimately, it must be made in a country where we own the trademark. The historic use of Astor made in El Salvador was unwise but the legitimate utilisation of a BAT trademark in a country where we own it is a totally different proposition.⁸¹

Bingham argues that long-term illegal market share, not immediate or legitimate profits, must be the priority for Bigott:

To summarise the Pricing Strategy issue, BIGOTT's priority is to dominate the DP and DNP markets even if this results in some decline in real levels of profitability during 1992. BIGOTT cannot allow CATANA to maintain its current high share of the DNP market.⁸¹

In an unsigned, undated 'Analysis of Competitive Performance', presumably from the same time period, the author confirms the Astor DNP export strategy:

Catana exploited the increased price gap between D.P. and D.N.P. products by raising export shipments of Astor. Catana increased exports to gain a price advantage in the domestic market. This action increased their total market share from 28. % to 30.2%.⁸²

The fears about Catana are also emphasized in a 1992 memo to then BAT's Vice-Chairman Barry Bramley in which Keith Dunt notes that "the DNP business from Venezuela has historically reached very significant proportions e.g. Up to 35% in August 1991. Catana are using it to de-stabilise our market, a market they failed to win via pricing in 1989."⁸³

In a 1994 memo from Bigott's T.G.F. Lord to Keith Dunt and BAT Marketing department representative (Latin America region) Chris Burton, the DNP theme is reinforced as Lord hints at collusionary efforts by BAT and Philip Morris to divvy up the Venezuelan market:

Holding DNP SOM [share of market] at 60% is part of our overt plan to give the competition oxygen, per our discussions when you (Keith) were in Caracas.⁸⁴

In a handwritten comment in the memo's margin, Chris Burton offers his approval, but questions how high BAT should aim in seeking its share of the illegal trade:

Sounds fair to me. Domestic market share increase of 1.4% points is reasonably challenging. Whether DNP share should be held at 60% is another issue.⁸⁴

ARGENTINA

BAT documents regarding Argentina reinforce the fact of BAT's and PMI's participation in the DNP market. A document titled 'Analysis of Competitive Market,' provides a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the "Competitor", PM's Massalin Particulares:

1. Strengths ...1.11 Domination of contraband international brands volume into Argentina reduces their locally manufactured volume in the short term but strengthens longer term position... 3. Opportunities ...3.15 Consider exporting low-price brands to Paraguay for reimportation into Argentina and as a challenge to N-P's [Nobleza-Piccardo] strong franchise in the border areas.⁸²

As in other countries, BAT urged its Argentinian subsidiary Nobleza-Piccardo (N-P) to take advantage of the DNP segment. In a notorious 1992 letter, BAT's Keith Dunt offered his perspective to N-P's President Ed Grant:

We will be consulting here on the ethical side of whether we should encourage or ignore the DNP segment. You know my view is that it is part of your market and to have it exploited by others is just not acceptable. ...⁸⁵ [Emphasis in original]

Dunt's admission that the DNP segment was part of N-P's market co-existed with a seemingly responsible corporate attitude, as indicated in the Corporate Affairs: 'Illegal Imports' section of the company's 1994-1998 strategic plan:

To [permanently] develop among authorities a consciousness on the negative social and economic effects of contraband. [Strategies]

- Lead the lobby of Government Officials in order to obtain more restrictive measures against illegal imports.

- Highlight to the Provincial Governors the reduction of provincial taxes caused by contraband
- Obtain the approval of a law drafted in the N.M.A. [National Manufacturers Association] aimed at reducing illegal imports
- Maintain the support of different chambers of Industry and Commerce in combating this illegal activity.⁸⁶

A document titled 'North-East Argentina' provides an overview of the Argentine market in the period from 1989 to 1992, and offers details on objectives and brand strategies for Nobleza- Piccardo. The background section confirms the involvement of both Philip Morris and BAT in supplying the illegal market through their respective companies (PM Brazil for Philip Morris, Souza Cruz for BAT) in Brazil and Paraguay. It also indicates that, in the event of government intervention to close the DNP trade, BAT was more concerned with its own market share than with staying out of this illegal but temptingly "unsatisfied market":

- 1.a Contraband is 9% per cent of the Argentine cigarette market and 46% per cent of the market in N.E.A. [North-East Argentina] D.N.P. cigarettes are a fact of life and almost institutionalised. D.N.P. has at no recent stage been significantly restrained by the authorities. D.N.P. volumes are more likely to grow than to reduce in the foreseeable future.
- 1.b All D.N.P. initiatives taken so far have added significantly to D.N.P. volume rather than shift shares. These include the initiatives of PM Brazil in 1990, Souza Cruz in 1991 and the Paraguayan manufacturers in 1992...
- 1.c However, there is still a significant market yet to be satisfied by D.N.P., either because consumers have yet to be offered an acceptable D.N.P. offer or because they live in regions where D.N.P. availability is limited.
- 1.d Assuming there is an unsatisfied market, our priority is to cover this with brands which have a future in the Argentine market.
- 1.e The D.N.P. segment has grown from 360 million sticks annually in 1989 to 3,820 million sticks in 1992 without meaningful intervention by the authorities. However, we still believe there is a point where the authorities simply must react.
- 1.f When this reaction comes, we must be prepared to vacate the D.N.P. segment completely without leaving a vacuum which our competitors are better placed to fill than ourselves.⁸⁷ [Emphasis in original; reformatted for easier reading.]

Understandably, BAT and Nobleza-Piccardo show concern about losing a sector that had recently multiplied ten-fold in just three years. In the North-East Argentina 'Objectives', the authors outline goals for both licit and illicit market sectors:

Construct and implement specific marketing actions with a view to:

- maximising group profit from the D.N.P. trade.
- increase Group share of the D.P. + D.N.P. total.

- leverage Group long-standing strength in the D.N.P. region.
- protect the Group's main brand franchises.⁸⁷

In detailing the 'Brand Strategies', the document's authors discuss the pricing and market balance to be sought with the introduction of Jockey Club (JC) and Derby brands to the Argentine market via DNP channels from Brazil. The section on 'Brand Rationale' points out distinct concerns regarding Jockey Club F.F. (full-flavor) and Derby Superlong Slims:

The N-P part of the D.N.P. Plan must protect JC as its highest priority; any D.N.P. Plan which concentrated only on DERBY while excluding JC would merely accelerate the erosion of JC.—Therefore, the JC D.N.P. initiative must start before the DERBY D.N.P. initiative.⁸⁷

The introduction of Derby Superlong Slims after JC was meant to protect the company's image as it embarked on a two-track strategy of both legal and illegal marketing, as is clear from this excerpt:

- To be launched initially as DP product in southern Brazil to protect N-P from accusations of complicity.—To be launched to D.N.P. trade soon after JOCKEY CLUB D.N.P.⁸⁷

Section 6 of the report explains some of the consequences of the plan, wherein higher margins would translate into greater profits in an area not restricted to North-East Argentina. The justification again is that, if Nobleza-Piccardo didn't take advantage of the DNP opportunity, PM would step in with its Le Mans, Wilton and "possibly other brands":

- 6.a The introduction of D.N.P. versions of JOCKEY CLUB and DERBY will increase total D.N.P. volume. D.N.P. of JOCKEY CLUB and DERBY will not be confined to N.E.A., but will spread to all regions where the DP versions have strong franchises and where margins higher than those offered in the DP supply line attract the trade.
- 6.b Volume control of D.N.P. JOCKEY CLUB and DERBY is not a solution. The competition will respond quickly with D.N.P. offers of LE MANS, WILTON and possibly other brands. This will spread the problem further and we will be obliged to compete.
- 6.c We envisage a scenario of D.N.P. growing to 20 p.c. of the Argentine market (unless the Government reacts), with the cheap Brazilian and Paraguayan products probably still concentrated in N.E.A. where they sell on price alone and selling volumes no less than currently and probably more, but with D.N.P. DERBY, JOCKEY CLUB and N-P brands selling in a much wider geography, similar to current distribution patterns of USIBs [United States International Brands] via Paraguay.⁸⁷ [reformatted for easier reading]

The company anticipates government action to control the smuggling, and is confident that its "defensive" approach will lead to continued market dominance, even when forced to restrict itself to the legitimate, duty paid sector:

- 6.d The key question is when do the Argentine authorities react. At some stage they must. When they do, and assuming a total ban, the protection of JOCKEY CLUB and DERBY by this defensive Plan will make N-P well placed to return to our traditional domination of the DP market in N.E.A.⁸⁷

North-East Argentina routing was also discussed in a 1991 memo from N-P's R. W. Jones to J.L. [Joe] Green, BAT (U.K. & Export), with a copy to I.G. Hacking, BATCo Millbank. Jones explains how Paraguay can be used as a shipping route if the status quo of legal, DP trade proves too difficult to maintain in the face of an "inundation" of competitive DNP shipments from the US and Brazil:

The issue [of trade-mark ownership in Paraguay] is sensitive, as our need to defend our 80 per cent of DP market franchise in north-east Argentina in the face of an inundation of US and Brazilian DNP imports has to be weighed against the possible repercussions which might result from increasing the DNP tempo by ourselves exporting to Paraguay. We hold our position for the time being, but are doing so on the assumption that we are clear to take the go-ahead decision if and when we judge this to be the right course without needing to seek further clearance from BATCo. or BATUKE.⁸⁸

This demonstrates that that BAT not only knew, and was willing to take advantage, of the role Paraguay played in the "re-export" business.^{89,91}

BRAZIL-ARGENTINA

There is a series of documents related to the DNP trade from Brazil into Argentina, a few of which are discussed in detail below.⁹²⁻⁹⁷ A fascinating view of the DNP situation in several South American countries emerges from a 1992-1993 exchange of memos. First, BAT's Keith S. Dunt writes to then Souza Cruz's then-CEO Antonio Monteiro de Castro (currently BAT regional director for LA and the Caribbean), reiterating some of his own, previously-expressed concerns:

I undertook in my note of 10 September to advise how we are going to move ahead on the DNP front when finalised—my precise comment was: "In reviewing the situation here it is clear that we have to take more aggressive action in the protection of our Argentinean brand equities and in a manner I believe was mentioned during Pampas discussions. As has been noted to N-P staff continuously it is not good enough to merely watch the share erosion month-on-month. Now with JQC [Jockey Club] we have some chance. Hence we are now investigating in a more proactive way how this will be done. It has to involve DERBY and it has to re-establish that brand's 'value-for-money' credentials... Whether it is Duty Paid or not is being checked out this week—but there will need to be a delicate balance to get the national politics right in Argentina—we will keep you advised."⁹⁴

However, Dunt goes on to explain that the competitive situation is complicated both by the presence of PMI

[Philip Morris International] and by rivalries within the BAT family of companies:

The argumentation is long and complex—viz-a-viz the game strategies and likely responses of PMI—particularly now, given their wholesale attack on your market via DNP. Derby product will now begin to flow in the next ten days or so via BATCo Exports—so it will become a UK cash generator over time. I predict that PMI will react immediately by "DNP-ing" Dallas which they are likely to be planning to do in any case...⁹⁴

Dunt also expresses that in order to better coordinate BAT's DNP business as well as to be better prepared to block PMI from taking advantage of this market "segment". Dunt explains:

I believe we should form a 'Border Trading Group' from our Marketing Directors to liaise precisely on the movements here and how we can help each other within the Total Group interest. ... We must react as one company in this key area of our business and eliminate the "inter-operating Group" hassles which can only benefit PMI. ...⁹⁴

Souza Cruz's Flavio de Andrade (now CEO of Souza Cruz), in a reply to Keith Dunt on behalf of Antonio Monteiro de Castro, thanks Dunt for his letter "detailing Nobleza-Piccardo's strategy to move ahead in the DNP front". He agrees on the importance of increased communications flow through the creation of the Border Trading Group. However, de Andrade is less receptive to Dunt's concerns for the 'BAT family' when de Andrade perceives a threat to his business from the Paraguayan firm Boqueron (an independent, local cigarette manufacturer):

You also mentioned in your letter that you have asked me to desist supplying Ritz in Ciudad del Est but, to be honest Keith, I can not remember this request. Independently of any misunderstanding on this issue, I have some comments I would like to share with you: Ritz is still a very important asset in Brazil, with good consumer franchise, being also the brand forged by Boqueron to be introduced in Brazil via the DNP route. We have recently succeeded in assuming the brands trademark in Paraguay but, until now, we could not eliminate the counterfeit despite several legal actions already initiated in the country. Within this context, a decision of withdrawing Ritz from Ciudad del Est could create a favourable condition for Boqueron to increase sales in the Brazilian market, without competition, threatening Souza Cruz's domestic sales.⁹⁴

But, not to worry, de Andrade reassures Dunt that he's willing to help fight the common enemy, Philip Morris by facilitating the DNP strategy:

Finally, as soon as you believe that Derby being manufactured in Brazil for Argentina, (via BATCo. Exports) could represent a competitive advantage viz-a-viz Philip Morris, we are prepared to help you.⁹⁴

In July 1992, Dunt wrote BAT's then-chairman of tobacco operations Barry Bramley to set up an August

1992 meeting “[t]o attempt to agree cross-border business brand strategy with Souza Cruz given the growth of the Argentinean DNP segment over the last eighteen months and its value to BAT Industries.”⁹⁵

In September 1992, Dunt again wrote to Bramley, acknowledging the importance of the DNP segment for the company’s business while decrying the fact that Souza Cruz entry in Argentina is a threat to Nobleza-Piccardo:

Effectively inclusion of the DNP segment yields and “all-up” BAT Industries S.O.M. [Share of market] ... Clearly the advent of DNP has served to reduce our [N-P] N.E. Province volume dramatically and is threatening the very existence of our distribution structure in the region. The suggestion is not that attempts are made to eliminate DNP, for this is simply unrealistic, and will deny BAT their rightful percentage of that trade. However the requirement is to manage DNP to the overall benefit of the BAT Industries Group, rather than for the direct benefit of one Operating Group’s results at the greater expense to another Operating Group.⁹⁶

In a May 1993 memo to Bramley and other BAT top executives (U Herter, A M De Castro and R H Pilbeam), Keith Dunt reveals more about corporate acceptance of DNP routing of cigarettes, and that involvement reaches as high as the BAT Industries Chairman. Dunt also notes that BAT keeps careful enough records of the illegal chain of distribution to know that DNP sales account for almost three-quarters of the market in one city and a significant percentage in Argentina. Again, the concern for profits overrides business ethics, as Dunt frets that Souza Cruz might gain market share at the expense of BAT’s Argentinian subsidiary, Nobleza-Piccardo, for which he is responsible:

This note is to ask you to clarify the position of BAT Industries in the above business. I am advised by Souza Cruz that the BAT Industries Chairman has endorsed the approach that the Brazilian Operating Group increase its share of the Argentinean market via DNP. As the Director entrusted with responsibility for the management of Nobleza-Piccardo I need to advise you of the likely volume effect on N-P of this decision and of course the financial impact... Contraband represents 55% of North East (Posadas Branch) volumes and has, at latest report, a 72% share in the City of Posadas. ... It has not been possible to agree the strategy of testing a reduced DNP volume flow... This note is to advise you on the impact the increased DNP volume will have on the results of your Argentinean subsidiary.⁹⁸

Dunt explains that Nobleza-Piccardo has suffered market share losses for a couple of reasons and, in a remarkably candid admission of corruption, notes another unintended consequence of reliance on the DNP distribution route in North-East Argentina:

Hence, part of the share loss and profit decline now forecast by Nobleza-Piccardo is not only a result of natural up-trading to Marlboro (given a full two years with no price increases), but also

the increasing volume being “pumped” through the northern border... A financial side effect is the additional commission payments being required in the North East to sustain any kind of effective distribution system, and to ensure the continued market presence of DERBY and JOCKEY CLUB.⁹⁸

Pampa Project

Conflict over the DNP trade between Argentina and Brazil also surfaces in papers relating to the development of the Pampa Project.^{96,99} This project was designed in 1992 to determine the market share of DNP between the competing BAT subsidiaries to maximize overall company profit. Dunt was concerned that Souza Cruz presence in the Argentinian DNP market was prejudicial to Nobleza-Piccardo’s business. In a September 1992 note to Mr B D Bramley, K.S. [Keith] Dunt explains the need to assess the impact of Brazilian cigarettes entering the Argentinian market via DNP channels, again assuming that BAT is due its “rightful percentage” of the trade:

The suggestion is not that attempts are made to eliminate DNP, for this is simply unrealistic, and will deny BAT their rightful percentage of that trade. However, the requirement is to manage DNP to the overall benefit of the BAT Industries Group, rather than for the direct benefit of one Operating Group’s results at greater expense to another Operating Group... 5. Conclusion ... Whilst my preference is to obtain Souza Cruz’s commitment to halve their RITZ volumes into the N.E. Province for a period of up to three months to assess the effect on Group results, in the absence of such agreement, we will launch DERBY and JOCKEY CLUB into the DNP segment by the end of September 1992.⁹⁶ [Emphasis in original.]

In November 1992, Flavio de Andrade replied to Dunt, raising concerns about the “sale of DNP Ritz [cigarette brand] on the Argentinian market prejudicing the market share and profitability of both the Group and N-P [Nobleza-Piccardo].”⁹⁶

Therefore the “Pampa Project” would be undertaken with the following intentions:

It was decided by S Cruz and N-P to analyse the situation more critically and evaluate the whole question of DNP in the Argentinian market as follows:

- Construct and implement specific marketing actions with a view to:
- Maximizing group profit from the DNP trade...
- Leverage Group long-standing strength in the DNP region...⁹⁶

The Project was based on some past facts and assumptions regarding Souza Cruz’s entry in the Argentinian DNP market with Ritz. As de Andrade explains:

The DNP market represents 9% of the total Argentinean cigarette market ... and 46% of the market in N.E. Argentina. This is growing significantly principally due to the large difference in price between DP products ... and DNP products and the ease of product movement over the border. ... Philip Morris has 54% of the

DNP segment ... Souza Cruz noted that there was a natural demand for Ritz ... and to fully exploit the growth in demand, it was agreed that Souza Cruz should increase the availability of the brand in the South of Brazil. ... Until 1991 the Ritz consumed in Argentina was DP Brazilian product which had practically no contribution. Due to this it was agreed between N-P and Souza Cruz that Souza Cruz should initiate "exports" of the brand [Ritz] through the DNP route with the specific objective of attacking Philip Morris' comfortable position as the leaders in this growing DNP segment. As a result Souza Cruz reversed the trend and achieved 71% share of the DNP low segment by the end of 1991.⁹⁶

Thus, BAT admits that its strength in illicit DNP channels is "long-standing" and even appears to put sarcastic quotation marks around the word "exports", knowing that these are nothing more than shipments intentionally destined for illegal entry to the Argentinian market. The rationalization from de Andrade continues, with the acknowledgment that DNP segment exists and will continue to exist and if Souza Cruz does not exploit it then the competition will. Thus, the author is also keenly aware of the challenge to BAT from Philip Morris:

[A financial study was conducted and showed] a loss for N-P due to the take out caused by Souza Cruz sales in the DNP low [price] segment. However, it is agreed that the segment exists and will continue to exist and if Souza Cruz does not exploit it, then the competition will. So the loss to the group will be greater, as demonstrated in the DNP high [price] segment where Philip Morris represent almost all the volume. The DNP segment is a fact of life and almost institutionalized. The segment has at no recent stage been significantly restrained by the authorities. The DNP segment will continue to exist as long as both the price differential exists and the greater margins for the trade are available. Due to the strong demand all DNP initiatives have done so far is increase volume rather than shift shares... The expansion of the DNP segment, apart from having direct impact on the stability of the distribution structure in the north east region of Argentina, will create idle capacity in N-P's production set-up and furthermore affect the Company's profitability. A B.A.T. decision to withdraw from this segment could only encourage Philip Morris (International and Brazil) to increase its current volumes and further dominate the Argentinian market.⁹⁶

Commenting on a specific recommendation to launch Derby "slims", produced in Brazil, exported to Paraguay for distribution in North-East Argentina, de Andrade adds further confirmation of the Paraguay-Brazil-Argentina smuggling link:

To restrict "political" problems, the brand would be launched in the South of Brazil in restricted quantities... Despite tighter controls by Border Authorities, contraband continues strong in the region... Souza Cruz continues to increase Sales Volume of exports into Paraguay, of which 80% is estimated to eventually enter into the Argentine D.N.P. market.⁹⁶

From these exchanges, it is clear that top level managers were involved in the development of the DNP segment. Mr. Andrade, who is now Souza Cruz CEO, possessed keen

awareness of the "strong" contraband sales volumes. Project Pampa then was a strategy for "S. Cruz, N-P e [sic] B&W to jointing explore both the DNP high and low segments".⁹⁶

However, alongside the plans to actively encourage the DNP market, there is evidence once again of the company's acute knowledge of the need to conceal its involvement in these very plans. One December 1992 note, simply titled DNP, from E. Grant to K.S. Dunt, demonstrates sensitivity to the "political climate:"

After further analysis it is my recommendation that no change is made to the current situation in which Souza Cruz are concentrating their border trade on the brand RITZ. This implies that we should shelve plans for Souza Cruz to manufacture DERBY SLIMS and JOCKEY CLUB for sale in South Brazil and in the border trade. The reasons for this are as follows: 1. The political climate is sensitive and for reasons related to other problems that N-P is facing it would be most unwise to create a situation where the Company could be even remotely linked to the DNP border trade.¹⁰⁰

BRAZIL

Beyond Brazil's trade in Argentina, there are several documents discussing Souza Cruz's DNP segment involvement in other regional countries, including Paraguay, Suriname and Guyana.

An August 1994 'Review of the Latin America Cigarette Market' notes that "Brazil is the largest market in the region representing 35% of all [BAT]sales", and explains that the heavy volume of Duty Not Paid cigarettes, "estimated at 12 billion cigarettes in 1993" in Brazil comes from three main sources: "Counterfeiting of Souza Cruz brands in Paraguay; Contraband from Paraguay (cigarette duty in Paraguay accounts for 13% of the price a pack, in Brazil 73%); Exports coming back into the market."¹⁰⁴

The recurring *modus operandi* for all Latin American BAT firms, and Souza Cruz in particular, has been to pressure national governments to lower taxes and do something about smuggling while still taking full advantage of DNP market opportunities. As BAT's Hilary Barton explains to A. Monteiro de Castro in a document titled 'Souza Cruz Plan Preview 1994-1998', this sometimes causes "publicity problems". In other words, she fears it won't look good for the company when the next government crackdown finds Souza Cruz product in the Paraguay DNP distribution pipeline. Barton summarizes for Monteiro de Castro a CEC [Chief Executive's Committee] meeting that they, along with the current Chairman of BAT, Martin Broughton, and other top executives (U. Herter and D.P. Allvey), attended:

6. DNP: Souza Cruz does not have the competitive advantage in DNP that it has in the domestic market through distribution. However, it appears that, given the choice, Souza Cruz's products are preferred to Philip Morris in the DNP market. The police together with the Internal Revenue Service (Receita Federal) have cracked down effectively on this channel in the past week. The government has threatened an export tax on product to Paraguay, but this would only change the shipping routes rather than solving the problem. The last crack down found product mainly from Philip Morris and the nationals. The next one will find Souza Cruz product as a result of the exports to Paraguay. This may cause some publicity problems as Souza Cruz has been highlighting the problem to the authorities.¹⁰⁵

The Souza Cruz Preview 1994/1998 detailed a plan that was "being implemented with the aim to minimise risks involved with the DNP growth:"

Souza Cruz Strategy to Face the Growing DNP Transit

From October 1993 onwards Souza Cruz is planning to carefully step-up its DNP efforts with a view to achieving a competitive share in the segment. A full brand portfolio is being launched, composed of international and local offers with competitive edge against PM brands. With this action, Souza Cruz expects to protect its volume and share, avoiding that PM and Nationals achieve even greater volumes. It is worth mentioning that it is unlikely that Souza Cruz will achieve a market share in the DNP segment similar to the DP position due to the difficulties in dominating the DNP distribution channels, which until now are different than Souza Cruz direct distribution ones.¹⁰⁶ [underline in original]

While it is true, in many countries, that tobacco taxes comprise a large part of the pack price, the industry has routinely used this fact to hide from consumers its tremendous profit margins and its own significant price hikes. The authors of the Souza Cruz Preview ignore the possibility of price reductions as a way to tamp down demand for DNP cigarettes. Publicly and privately, Souza Cruz tries to shift the blame to the government:

The only effective way to eliminate transit business would be through a price reduction in the DP market and this could only be achieved through a reduction in current Excise levels. Efforts are being developed by Souza Cruz with Government authorities but it seems unlikely that any relevant success will be obtained as the Government is just seeking to increase tax revenues with the aim to balance its budget.¹⁰⁶

In "Learning from Price Wars," a document destined for an unknown readership, but likely the executives of other BAT companies, the unidentified author summarizes 'The Brazilian Experience':

Souza Cruz was suffering different competitive pressures due to the DNP segment's growth, concentrated basically on [activities of Philip Morris and Sudan, the oldest national manufacturer in the Brazilian market]... Souza Cruz actions to block these two competitors comprised of basically on [sic] a two-step action:—the first action aimed at reducing the DNP segment growth potential through joint action with the government, stimulating an increased border repression.—the second action was focused in blocking PMI's growth. In order to meet this objective, Souza Cruz developed

a DNP portfolio composed by part of its domestic portfolio, with a clear bias towards medium / lower priced mild offers, in order to gain space in relation to PM brands.¹⁰⁷

There is some indication that aggressive attempts by Souza Cruz to dominate the DNP market in other parts of the region provoked resistance from BAT's Keith Dunt. BAT's overarching interest in profiting from the DNP segment motivated Dunt to address "irritating issues" in a 1994 letter to Monteiro de Castro.⁵⁶

I am equally concerned that the other manufacturers are now using the same routings as ICOMTRADE has established. However, your invoicing values are causing this problem nothing else. So long as Icomtrade is charged higher than Aruba/Pergelly/Rotterdam this will clearly happen. ...

There was no agreement (as quoted in your letter) that the entire South American DNP market remain with Souza Cruz in respect to Souza Cruz brands. Where the DNP was referred to in our separate arrangement with you it was related entirely to your recycled product and of course in that context we have no part to play nor wish to. ...

I believe there are useful growth prospects for Hollywood [a Souza Cruz brand] with our new Trade Marketing implementation plan for Suriname which we will miss if [sic] keep Hollywood with Icomtrade—but as you say we have DNP to cover. ...

[Regarding DNP operations] I am pleased that you feel there is enough potential to have a uniform policy across the BAT Group in respect of Iquique [transit point for the DNP trade in Latin America] ...

I would now like to suggest that we set up a joint Latin America DNP "off-shore" operation handling All industries' Tobacco operations. Likely base could be Miami ... I believe you are contemplating Uruguay but we thought we should look at where there is no prospect of GT/DNP occurring in the near future which is certainly not the case for Uruguay.⁵⁶

In this letter, once again, Dunt recommends that BAT have the DNP business centrally coordinated, and demonstrates that he expected that an active DNP business—and by inference BAT's involvement in this business—in the near future in Uruguay.

PARAGUAY-COLOMBIA

Several documents from around 1992 describe projects initiated to launch GT brands via Paraguay and Colombia, as well as through Argentina and Brazil.¹⁰⁸⁻¹¹² For example, Project Rose was the launch of L&B King Size for Colombia and Paraguay; Project Marble was the launch of John Player Special American blends for Colombia and Paraguay. The first point of the stated rationale for these projects is almost invariably that "GT accounts for 1/3 of the total market", hence the need for increased corporate activity in this illicit sector. One corporate document is a bit more opaque in describing the objective for the launch of L & B KS [Lambert & Butler

King Size] box “American Blend” in Argentina and Brazil “(GT distribution from Paraguay)”:

To enter in the growing re-exported business from Paraguay to Argentina and Brazil and offering a quality product at an affordable price.¹⁰⁸

The ethical concerns of some BAT executives again surface in these notes from BAT’s Keith Dunt to Mr. T. Whitehair of Brown & Williamson concerning a June 1992 BAT meeting in Bogota:

5. Paraguay—agreed that if DNP business commences for N.P we should be using the same agent as B&W (and Souza Cruz). Must also try and use LASU [Latin America Sales Unit] concept. 6. ...Souza Cruz in overt illegal operation supporting Hollywood which at today’s date is DNP business. Ethically wrong [...] Bigott to sell product to B&W but only for “Turbo” routing and as part of drive to “piggy-back” other group brands.¹¹³ [Emphasis in original]

Despite his ethical protestations, even Dunt acknowledges and finds uses for the “overt illegal operation”.

COLOMBIA

A 1992 proposal, signed by BAT’s Mark Waterfield, discusses the establishment of a BAT Company or Branch office in Colombia, reporting directly to BAT’s Territorial Director, to “manage and grow the existing transit and direct import business”.⁶⁶ This document describes Colombia as a “significant transit end market”,⁶⁶ and highlights the role of the Romar firm, located in Aruba, as a “transit agent” for Brown & Williamson, Souza Cruz and Bigott.⁶⁶

CONCLUSION

The documents analyzed here confirm the results of earlier investigations and illustrate the integral role of the illegal market in the day-to-day operations of the transnational tobacco companies and their subsidiaries. The tobacco industry, already benefiting from the lucrative sale of an addictive, deadly product, has shown itself willing to use illicit channels to distribute its wares.

The role of smuggling in undermining the efforts of governments to increase tobacco taxes — one of the best, proven ways to reduce tobacco consumption¹¹⁶ — is cause for serious concern and hampers progress in tobacco control. Fortunately, governments are now increasingly determined to challenge the industry for its dubious shipping and marketing practices. The documents reviewed here highlight the need for these challenges to continue in order to reduce tobacco use.

An undated document traces the route of DNP distribution in Colombia, from Aruba into Maicao and then to Barranquilla, with prices increasing at each “stop”.¹¹⁴ Romar’s role in DNP cigarette distribution in Latin America has been extensively described elsewhere.²⁰

The ‘Market Overview’ of a 1994 ‘Country Competitive Report’ for Colombia, on Cigarrera Bigott fax paper, describes the operations of the two major independent local firms, Coltabaco and Protabaco, international leaders BAT and PMI, and casually mentions the presence of several firms in the DNP trade:

The Japan Monopoly and other companies are working in D.N.P. channels. U.K.I.B. [United Kingdom International Brands] brands are sold in D.N.P. channels with low volume and they are: JPS, 555, DUNHILL, ROTHMAN [sic], etc... Reynolds works in D.N.P. channels with Doral F.F., Lights and Menthols in low price segments... COLTABACO: ...It must be pointed out that during the last few years the company exported a substantial volume of cigarettes which later re-enter to the country generating a significant profit which [is] not reflected on books. They have developed a strong lobby with the authorities in order to reduce current tax structure... PROTABACO: ...The company obtains profits which are not reflected on books by exporting products and re-entering them without duty payment, taking advantage of the 8% exports subsidy.¹¹⁵

In nicely understated fashion, the authors conclude:

This is an atypical market because: a. International and Imported Brands work by D.N.P. channels (90%) and D.P. (10%). b. Domestic Brands also work until 1993 in both channels.¹¹⁵

Smuggling is clearly a national, regional and global problem, but the 90% share for illicit products in Colombia’s import market may well be a record.

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VI. CONCLUSION

The documents discussed in this report afford insights into tobacco industry strategies for the Latin America and Caribbean (LAC) region. A picture emerges of a financially and politically influential industry whose consistent efforts to undermine public health policy measures are often met with success. The report confirms and augments what is already known about the tobacco industry's strategies to resist preventive efforts that might reduce the devastating impact of tobacco use in the region.

This report emphasizes and substantiates the concept that tobacco-related morbidity and mortality is as much a political problem as a health question and, as such, needs to be approached from a multi-disciplinary, multi-sectorial perspective. For example, alleged industry involvement in the illegal trade of cigarettes across international borders needs to be addressed by policymakers and government officials in the finance, economy, customs and revenue departments of all interested countries. Awareness and understanding of the tobacco industry's modus operandi can assist in the development of more effective tobacco control measures.

British-American Tobacco and Philip Morris International are the main multinationals operating in the region, and their internal documents are the focus of this report. These documents confirm that, while fighting to control the lion's share of a growing market, the companies are also capable of working together in the face of any industry-wide threat posed by governmental, regulatory measures. Examples abound of joint lobbying efforts in several countries to defeat taxation measures and marketing restrictions. Both companies worked to successfully obtain a presidential veto of Argentina's comprehensive tobacco control law, the Neri Bill. The companies jointly developed media seminars to influence the region's journalists who had begun reporting the growing evidence of the harmful effects of tobacco use. The companies also jointly created partnerships with advertising associations and other businesses, hoping to halt the advance of marketing restrictions by playing on a shared interest in the commercial freedom of speech argument and by falsely portraying restrictions as portents of economic doom.

More importantly, BAT and PMI collaborated to mislead the media and the public about the real risks associated with smoking and exposure to secondhand smoke. Through the Latin American version of its worldwide "accommodation" strategy and "ETS Consultants Program", the tobacco industry tried to blind the public, the media and policymakers to those strategies that could effectively reduce exposure to secondhand smoke. The industry is keenly aware that higher taxes, the enactment of clean indoor air measures and the decline in the social acceptability of smoking pose the greatest threats to its continued viability. BAT and PMI used every trick in the book—or the carton—to ensure that people in the LAC region continued to be exposed to the toxic pollutants in cigarette smoke. Knowledge of industry strategies, front groups, allies and consultants is an important first step in the development of effective public health initiatives, policies and countermeasures.

Although the industry denies that it promotes cigarettes to minors, there is ample evidence that young people and "starters" are the industry's main target. Sponsorship of activities that clearly appeal to the young, including music and sporting events, is integral to the industry's business strategy. On the one hand, the industry attempts to lure the young through its marketing and promotional strategies, while on the other it promotes the adoption of ineffective voluntary marketing codes that only pretend to act as barriers to youth smoking. The documents reviewed here confirm that these codes are public relations strategies designed to stop governments from taking serious measures to restrict advertising to youth. Industry programs also promote the cynical image of a seemingly responsible, socially-conscious corporate citizen. A

related strategy is the promotion of industry-sponsored youth prevention programs like “Yo Tengo P.O.D.E.R.” (I’ve Got the Power), from Philip Morris. Despite their ineffectiveness in keeping young people away from smoking, these programs are widespread in the LAC region, often endorsed by governmental authorities. Overall, the industry has had apparent success in opposing serious marketing restrictions. With the notable exception of Brazil and, to a lesser extent, Venezuela, there has been little legislative or regulatory progress in the region that would seriously restrict tobacco industry promotion.

The documents reviewed for this report also confirm earlier studies describing industry involvement in the illegal transit of cigarettes. While contraband takes away tax revenue from the government, it also stimulates demand and increases industry profits. In fact, participation in the illegal market is such an integral part of industry practice that it is prominently featured in strategic operating and marketing plans, as well as in company business reports. While taking full advantage of the market in smuggled cigarettes, the industry presents a façade of wanting to

collaborate with governments in crackdowns on rampant smuggling in the region. The documents make clear that participation in the illegal market is not the result of initiatives by some rogue employee but, rather, is condoned by executives at the highest regional levels and at corporate headquarters. In possession of such information, policymakers can better question industry motives when tobacco companies claim they want to participate in the debate about the contraband problem.

The most important message that the documents convey is the importance of government action to protect public health in the face of the tobacco industry’s relentless push for profits at almost any cost. Measures recommended by WHO, PAHO and the World Bank to reduce tobacco use, such as legislated prohibitions on tobacco promotion, tax increases, and the creation of 100% smoke-free environments, should be implemented as quickly as possible. Whatever tobacco companies express in public, the documents show the industry’s acute awareness of the effectiveness of these measures in reducing tobacco use.

The audience for this report should not be limited to health care professionals and tobacco control advocates in the LAC region. Given the broad impact of the industry’s actions throughout every society, government officials and policy makers in a wide variety of sectors must be made aware of industry strategies. Tobacco-related morbidity and mortality cut a broad, terrible swath across all regions and social classes. To reduce the disease burden imposed by tobacco use, governments will have to be multi-dimensional in their strategies and responses. The tobacco industry’s actions are pervasive and persistently deceptive. It is imperative that tobacco control debate and policy be guided by keen knowledge of the industry’s deceptive plans and practices. Knowledge is power and it requires great strength to fight back against an industry using financial muscle and dishonest strategies to market addictive products.

APPENDICES

APPENDIX 1 Partial List of Acronyms and Names Mentioned

Acronyms and Abbreviations

ATL	Above the line (Marketing/Advertising term)
BAT	British American Tobacco
BATCo P.A.	BAT Public Affairs
BATUKE	BAT (U.K. & Export)
BTL	Below the line (Marketing/Advertising term)
CEC	Chief Executive's Committee
C&B	Covington & Burling Law Firm
CCSC	Companhia de Cigarros Souza Cruz
CFP	Colon Free Port
CPL	Colon Puerto Libre
CPT	Consumer Product Testing
DNP	Duty Not Paid
DP	Duty Paid
DTC	Direct to Consumer
FF	Full Flavor
f.m.c.g.	fast moving consumer goods
GCS	General Consumer Studies
GEX	General Export
GM	General Managers
GT	General Trade [=Duty Not Paid]
HORECA	Hotel, Restaurant, Café
ITL	Imperial Tobacco Limited
I.F.F.	International Full Flavor
JC	Jockey Club [Nobleza-Piccardo brand]
JQC	Jockey Club
LAFTTF	Latin American "Free Trade Task Force"
LASU	Latin America Sales Unit
M-P	Massalin Particulares
NDM	New Domestic Market
N.E.A.	North-East Argentina
NMA	National Manufacturers Association
N-P	Nobleza-Piccardo
Op Co's	Operating Companies
PARG	Public Affairs Resource Group
PM	Philip Morris
PMI	Philip Morris International
P.O.P.	Point of Purchase
P.O.S.	Point of Sales
POSM	Point-of-Sale Marketing
PSM	Product Space Mapping
RBU	Regional Business Unit
RYO	Roll Your Own
S/E	Socio-Economic
SOM/SOTM	Share of the Market
STM	Simulated Test Market
SWOT	Strengths, Weaknesses, Opportunities and Threats
TDC	Tobacco Documentation Center
TISA	Tabacalera Istmeña, Sociedad Anonima (Panama)
TMD	Trademark Diversification
UKIB	United Kingdom International Brand
USIB	United States International Brand
VFM	Value for Money
WITCO	West Indies Tobacco Company

YAS	Young Adult Smokers
YAU	Young Adult Urban
YAUS	Young Adult Urban Smokers

BAT Names*

Cairo Amador	Public Affairs Manager, Nicaragua
Antonio Americo	Souza Cruz, Brazil (VP in 1992)
D P Allvey	BAT
Ernesto Antich (Mas)	Corporate Affairs Director, Bigott, Venezuela
David Bacon	BATCo
H C [Hilary] Barton	BAT
Patricio Bellolio	Smoking Issues and Chiletobacos Public Affairs Manager, Chile
B [Barry] D Bramley	BATCo retired in 1995, was vice-chairman in 1992
Milton Cabral	Souza Cruz, Brazil (Finance Director, 1992)
Francis Carlow	Tabacalera Nacional, Guatemala
Horacio D'Angelo	Public Affairs Manager, Nobleza-Piccardo
Jorge Basso Dastugue	Corporate Affairs Director, Nobleza-Piccardo
P.M. Bingham	Marketing, BATCo
Chris Burton	Marketing, BATCo
M F [Martin] Broughton	Chairman, BAT
Roberto Freire Castro	General Manager, Republic Tobacco Company, Costa Rica
Flavio de Andrade	Souza Cruz, Brazil (Marketing Director in 1992)
Jorge de Barros Franco	Souza Cruz, Brazil
Dennise Demming	Public Affairs Manager, WITCO, Trinidad
Olivia Diazgranados	BAT Colombia
Nelson Diz	Souza Cruz, Brazil (Legal Advisor, 1992)
Keith S. Dunt	Regional manager for Latin America
D. Etchells	BATCo
Claudio Figueiredo	BAT
Maria Mercedes Garcia	Coordinator of Communications and Public Relations, Bigott, Venezuela
Ed Grant	Nobleza-Piccardo
Andrew Gray	Souza Cruz - Exports Manager
J.L. Green	BAT (U.K. & Export)
I.G. [Iain] Hacking	BAT - Millbank
U G V Herter	Chief of tobacco operations, BAT HQ
E. W. Jones	
W. Knable	
Luis Manuel Llano	Bigott, Venezuela
Guillermo Lopez	Government Relations Manager, Honduras
Raul Matamoros	El Salvador
Antonio Monteiro de Castro	Souza Cruz, Brazil (president in 1992; later, BATCo, UK)
Juam Jose Herrera Moran	El Salvador
Walter Nori	Souza Cruz, Brazil
Antonio Lopez Ortega	Bigott Foundation Managing Director, Venezuela
Edgar Cordero Ortiz	Corporate Affairs Director, Republic Tobacco Company, Costa Rica
Vibert O Patrick	Finance Director, Guyana

R H Pilbeam BATCo
 Chris Proctor BATCo
 Charles R. Quintin General manager, Guyana
 J Rembiszewski BATCo
 Eugenio Rengifo Corporate Public Affairs Managers, Empresas CCT, Chile
 O C Rentem General Manager, BAT Suriname
 Jaime Rosales Panama
 Dr. Amilcar Santamaria Public Affairs Manager, Honduras
 Orlando Schoenstedt Public Affairs Manager, Guatemala
 Barry Selby Tabacalera Hondurena, Honduras
 A G Stoute General Manager, BAT Barbados
 Andrew Suszynski BAT Millbank
 Peter Taylor Panama, also El Salvador, Cigarrera Morazan
 C H Thorpe Marketing Manager, BAT Barbados
 Hugh Tweed General Manager, Tabacalera Nicaraguense, Nicaragua
 David Vega Public Affairs & Security Manager, El Salvador
 Manuel Villamayor Guatemala
 Audley Lawson Walker Managing Director, Trinidad
 Mark Waterfield BATCo
 William Wong Cigarrera Bigott - NDM-S.A.
 Mauricio Wurmser Guatemala
 Llewellyn A Yarde Sales Manager, Guyana

Fini de Otero Directora, Asuntos Corporativos, CA Tabacalera Nacional (Venezuela)
 Chief scientist
 Cathy Ellis
 Marc Firestone Senior Vice President & General Counsel, PMI
 P. Gambaccini Corporate Affairs, Latin America
 H. Ganteaume Director for Latin America, PMI Operations
 Marc Goldberg President for Latin America
 Aurora Gonzalez Corporate Affairs manager, Latin America
 Jan Goodheart
 Leslie Greher Manager, Marketing Services, PMI
 Horacio Hughes PM Uruguay
 Diane Keane Current Senior Vice President and General Counsel, Philip Morris U.S.A.; former general counsel, PMI
 Former Director of Regulatory Affairs
 Ted Lattanzio
 Cathy Leiber Vice president, Corporate Affairs, Latin America Region
 Alice Liu Director, Market Research, PMI
 Ana Maria Molina PM Ecuador
 Robert Munson PM Panama
 Anne Okoniewski Coordinator, Research Analysis, PMI
 Gerardo Ortega PM Guatemala
 Steve Parrish Senior Vice President
 Claire Purcell Philip Morris Management Corporation
 Cesar Rodriguez Corporate Affairs Director, later Vice-President, Latin America, PMI
 Peter Scherer President, Latin America, later President, Philip Morris Brasil

PM and PMI Names*

Gilberto Barrantes PM Costa Rica
 Geoffrey Bible Former Chairman & Chief Executive Officer
 Elizabeth Butson Vice-President, Philip Morris, USA
 A. Buzzi EEC Office, later President of PMI Inc.
 Richard Carchman Group Director, Scientific Affairs
 Luis Carranza PM El Salvador
 Clodoaldo Celentano PM Brasil
 Elizabeth Cho Coordinator, Communications, PMI
 D. Dangoor Executive Vice President, PMI
 D. Dennis Manager, Communications, PMI

Armando Solbavarro PM Ecuador
 Camilo Suero PM Dominican Republic
 Salvador Viesca PM Mexico
 Jorge Vives Executive Vice President, Massalin Particulares
 Matt Winokur Director, Worldwide Regulatory Affairs
 Jorge Zablah PM El Salvador

* some of the positions may have changed throughout the period covered in this report and may no longer be current

APPENDIX 2

BAT and PM Market Share and Leading Brands in Latin America and the Caribbean¹

BAT

In 1993 BAT group sales represented almost 46% of total sales in the Latin American region.

Company	Domestic Mkt %
Souza Cruz (Brazil)	79.6%
Nobleza Piccardo (Argentina)	44.3%
C.A Bigott (Venezuela)	73.5%
Chiletabacos	97.6%
Tab. Hondurena	100.0%
RBU Exports	-
Brown & Williamson	-
Republic Tab. Costa Rica	69.5%
Tab. Nicaraguense	98.0%
Cig. Morazan. El Salvador	71.6%
West Indian Tobacco Co.	100.0%
Tab Nacional Guatemala	37.1%
Tab Istmena Panama	66.0%
BAT Suriname	92.9%
C.C. Jamacia [sic]	28.2%
Demerara Tob. Guyana	100.0%
BAT Barbados	99.0%

PM


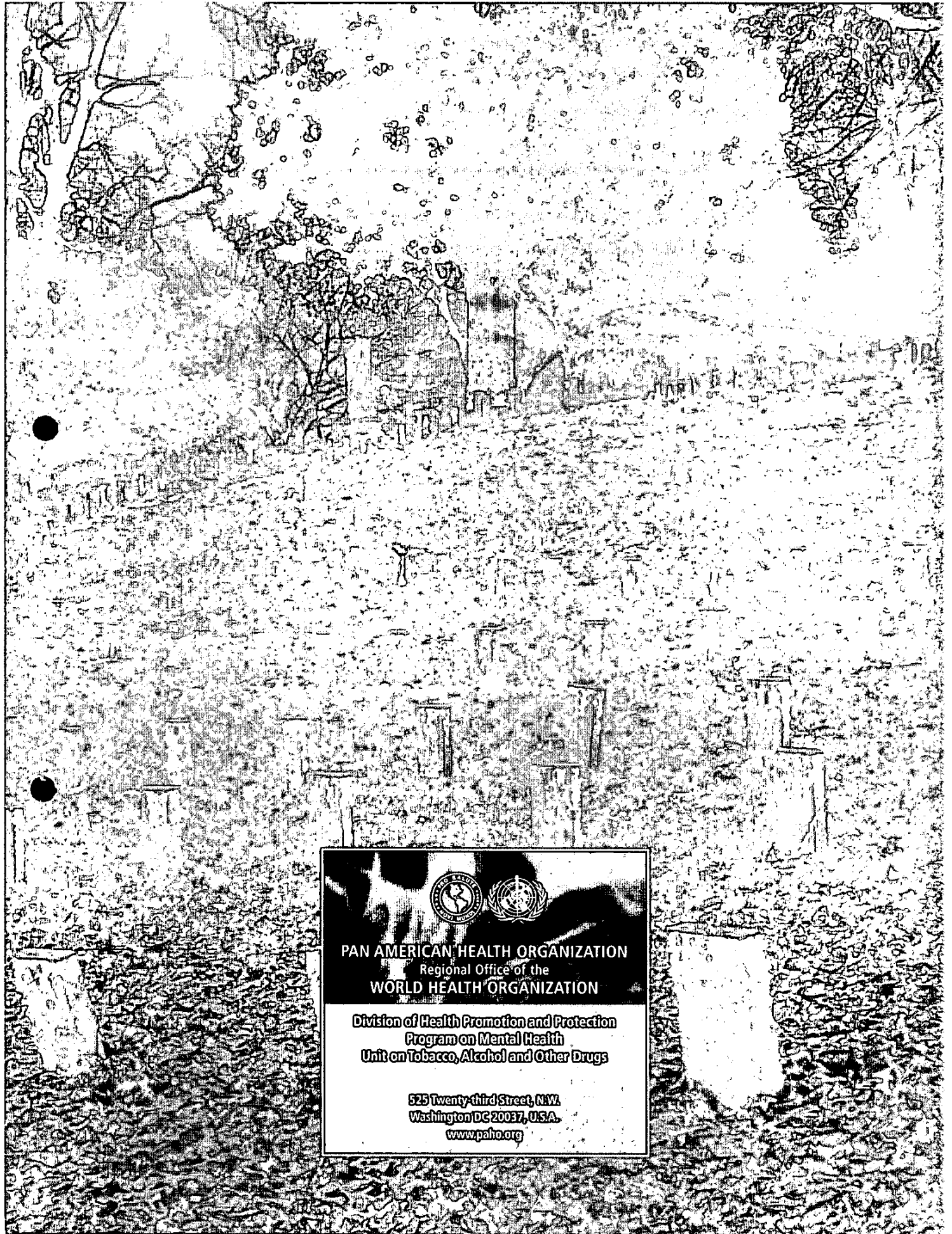
In 1993 Philip Morris subsidiaries' and associated companies' cigarette sales represented almost 25% of the total sales in the region. In terms of profit, the Latin American region was Philip Morris' fastest growing region.

Company	Domestic Mkt %
PM Brazil	16.6%
Cigatam, Mexico	45.0%
M.P. Argentina [Massalin Particulares]	55.7%
Catana. Venezuela	26.5%
Leon Jimenes D. Republic	77.4%
Tab. Andina. Ecuador	83.0%
Tabacalera CA.[Centroamericana SA] Guatemala	62.9%
Tabacalera [Costarricense]- Costa Rica	30.5%
Tabacalera El Salvador [SA] [TASASA]	28.4%
Abal Hermanos. Uruguay	25.4%
Tabacalera. Panama	33.3%
Bolivia -licence	21.4%
Chile - licence [to Manufacturas Facil]	2.5%

Leading Brands In Latin America, 1991-1993

Brand	Manufacturer
1 Marlboro	PM
2 Belmont	BAT/PM
3 Derby	BAT/PM/Bol
4 Hollywood	BAT
5 Plaza	BAT
6 Free	BAT
7 Raleigh	La Mod
8 Ritz	BAT
9 Carlton	BAT
10 L&M	PM
11 Viceroy	BAT/La Mod
12 Jockey Club	BAT
13 Consul	BAT
14 Mustang	PM
15 Montana	La Mod/BAT
16 Fiesta	PM/BAT/La Mod
17 Royal	BAT/PM
18 Delicados	CIGATAM
19 Astor	PM
20 Lark	PM
21 Dallas	PM
22 Le Mans	PM
23 Hilton	BAT/PM
24 Benson & Hedges	PM/BAT
25 President	PM
26 Faros	CIGATAM
27 Winston	RJR
28 Delta	BAT
29 Palace	PM
30 Pall Mall	BAT
31 43/70	BAT
32 Life	BAT
33 Alas	CIGATAM
34 Continental	BAT
35 Lucky Strike	BAT

¹ Tables adapted from BATCo Marketing Intelligence Department. Review of the Latin America Cigarette Market. BAT. August, 1994. Report/Tables. Guildford Depository. Access Date: September 11, 2001. Bates No. 500225540/500225556



PAN AMERICAN HEALTH ORGANIZATION
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WORLD HEALTH ORGANIZATION

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