The Transnational Tobacco Industry

Frances Stillman, EdD, and Heather Wipfli, MA
Institute for Global Tobacco Control
Johns Hopkins University
Section A

Background
“A sane policy response to the evidence against tobacco does and should threaten the viability of the industries themselves.”

Advocacy Institute, Smoke and Mirrors, 1998
Describing a Disease

HOST

AGENT

VECTOR

ENVIRONMENT
The Agent

Image source: www.cdc.gov/tobacco/images/sgrad6.jpg retrieved 2/28/06
Image source: Institute for Global Tobacco Control
Section B

Background
1890—American Tobacco Company (ATC) formed

1900—ATC virtually controls all tobacco production and trade worldwide

1911—ATC broken up into several companies, including ATC, R.J. Reynolds (RJR), Liggett & Meyers Tobacco Company, Lorillard, and British American Tobacco (BAT)
Background

1911–1980
- Tobacco industry comprised of numerous independent companies
- Tobacco growing and trade flow largely between U.S. and Western Europe

1980–Present
- A few mega companies
- Majority of tobacco growing in low- and middle-income countries
- Global production and trade
What Is a “Transnational” Company?

- An enterprise comprising entities in more than one country which operate under a system of decision-making that permits coherent policies and a common strategy.

- The entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the others and, in particular, to share knowledge, resources, and responsibilities with the others.
Major Transnational Tobacco Companies

- Philip Morris (USA)
- British American Tobacco (UK)
- Japan Tobacco (Japan)
- Reemsta (Germany)
- Altadis (Spain / France)
PMI, BAT, JT own or lease manufacturing facilities in over 50 countries.

PMI, BAT, JT have combined sales of over U.S. $121 billion.
Philip Morris’ (PM) 1998 revenues ($74 billion) exceeded the GDP of many countries including Ireland, Hungary, Ecuador, Kuwait, Guatemala, and Kenya

RJR Nabisco’s 1998 revenues ($14 billion) exceeded the GDP of Jamaica, Laos, or Malawi

Sources: Philip Morris, 1999 Annual Report (consolidated revenues); RJR Nabisco, 1998 Annual Report (does not include RJR International revenues); CIA World Factbook, 1999
China National Tobacco Corporation

- World’s largest tobacco company
- Near monopoly over domestic market
- Numerous cooperative agreements with TTCs to modernize manufacturing, improve crop yields, and build tobacco processing plants
- Indications that it is considering entering international market
A Return to the Past?

Global Cigarette Market Share

A Global Market

Global Cigarette Consumption

Cigarette Consumption - Top 5 countries

“Tobacco exports should be expanded aggressively, because Americans are smoking less.”

—Vice President Dan Quayle (1990)

Source: Philip Morris SEC 10K Reports

Accessed on 2/21/06 from the National Center for Tobacco-Free Kids
http://www.tobaccofreekids.org/reports/falsefriends/philipmorrisus.pdf
A Global Business

2004 Revenue & Profit Splits for British American Tobacco Net
Sales

- America-Pacific: 28%
- Asia-Pacific: 18%
- Latin America: 15%
- Europe: 26%
- Africa & Middle East: 13%

Data source:
Factors Fueling Global Expansion

- Opening of formally closed economies in former Soviet Union, Eastern Europe, and China
- World Bank and IMF pressure to liberalize foreign investment laws and privatize state-owned companies
- Expansion of free trade areas
Trade Liberalization

- General Agreement on Tariffs and Trade (GATT)
- World Trade Organization (WTO)
- Regional Agreements (NAFTA)
Impact of Trade Liberalization

- 18.4%–30% in teenage boys
- 1.6%–8.7% teenage girls
  - 6% of market in one year

Taiwan
- 50% increase in high school students in two years
  - 1% to 20% of annual sales in less than two years

Japan (1990–1996)
- 26%–40% in 17 year old boys
- 5%–15% in 17 year old girls
  - 2% to 22% market share in ten years
Leading Producers of Tobacco Leaves, 2001

Tobacco Leaf Trade

Top 10 Tobacco Leaf Exporters, 1999

Top 10 Tobacco Leaf Importers, 1999

Privatization

- Over 140 mergers and acquisitions between international companies and state-run companies

- A few examples
  - 2003 BAT buys Duvanska (Serbia)
  - 1997 PM buys Tabaqueira (Portugal)
  - 1994 PM buys Kharkov (Ukraine)
  - 1993 PM buys Klaipeda (Lithuania)
  - 1992 PM buys Czech Tabac
  - 1991 BAT buys Hungary’s State company
Foreign Investment—Ukraine

- Foreign tobacco firms invested $520 million between 1991 and 1999—1/4 of all foreign direct investment
- Over 90% manufacturing capacity now run by Western companies
- Platform for exporting to other countries throughout Central and Eastern Europe
Major Company Mergers

- 1999
  - BAT buys Rothmans
  - Philip Morris buys Liggett
  - Japan Tobacco buys RJR International

- Transformed size and global reach of largest three companies
Marlboro Market Share (2001)

- Netherlands—39%
- France—30%
- Germany—30%
- Spain—15.5%
- Poland—7.2%
- Russia—2.0%
- Romania—1.8%
- Saudi Arabia—53.2%
- Mexico—42.5%
Marlboro’s Global Penetration

Credit: © 1993 Lauren Goodsmith, Courtesy of Photoshare

Image source: http://www.library.uiuc.edu/mortenson/images/marlboro.jpg
accessed 2/21/06
Industry Strategies

- Advertising and promotion
- Buying science
- Public relations
- Philanthropy
- Lobbying
- Front groups
- Intimidation
- Legislation and public policy
Modeling Industry Activities

Undermining Science

Lobbying & Legislative Strategy

Media Manipulation

Creating Illusion of Support

Usurping the Agenda

Legal & Economic Intimidation

Lobbying Tactics

Issue Framing

Public Relations

Science PR

Harassment

Harassment

Covert

Public

Messages

Action

Sworn Public Statements

- “I believe nicotine is not addictive.”

— William Campbell (Phillip Morris, U.S. Congressional Hearings, 1994)

“Nicotine is addictive. We are, then, in the business of selling nicotine—an addictive drug effective in the release of stress mechanisms.”
— Brown and Williamson, 1963

“…BAT should learn to look at itself as a drug company rather than as a tobacco company.”
— BAT 1980

“…[T]he entire matter of addiction is the most potent weapon a prosecuting attorney can have in a lung cancer/cigarette case. We can’t defend continued smoking as ‘free choice’ if the person was ‘addicted.’”
— Tobacco Institute 1980
Buying Science and Intimidation

- Letters to BMJ regarding the 1981 Hirayama Study:
  - Misclassification
    - Active smoking
    - Passive smoking
  - Confounding
  - Statistical error
  - Plausibility


Excerpt from Acknowledgements – “The paper was completed at Colorado State University, with partial support from several tobacco companies; the methods and analysis here are however entirely those of the authors and should not be otherwise ascribed.”


Excerpt from Acknowledgements – “This research was supported by a grant from The Tobacco Institute, Washington, D.C., USA. We thank Dr Myron Weinberg, President of the Weinberg Group/WASHTECH, for encouraging us to develop this critique.”

“The massive effort launched across the tobacco industry against one scientific study is remarkable.”

Industry Tactics to Undermine IARC

- “Delay the progress and/or release of the study.”
- “Affect the wording of its conclusions and official statement of results.”
- “Neutralize possible negative results of the study . . .”
- “Counteract the potential impact of the study on government policy, public opinion, and actions by private employers and proprietors.”

— WHO Expert Panel on Industry Documents
“Public health officials have concluded that secondhand smoke from cigarettes causes disease, including lung cancer and heart disease, in non-smoking adults, as well as causes conditions in children such as asthma, respiratory infections, cough, wheeze, otitis media (middle ear infection) and Sudden Infant Death Syndrome. In addition, public health officials have concluded that secondhand smoke can exacerbate adult asthma and cause eye, throat and nasal irritation.”

Source: Philip Morris USA website
Retrieved 2/21/06
“... available evidence does not support the assertion that environmental tobacco smoke (ETS) is harmful to health.”

— Japan Tobacco
“...would be willing to support prevention efforts that affected our bottom line. Absolutely... if we can come up with a program that... prevents all teenagers from smoking cigarettes we would be delighted to see that happen. And if that meant that fewer people smoked as adults, so be it.”

— Corky Newton,
Vice President of Corporate and Youth Responsibility Programs, Brown and Williamson

Source: Transcript of meeting with SWAT (Students Working Against Tobacco), U.S., November 6, 1999.
“We [Philip Morris] refined the objective of a juvenile initiative program as follows: maintain and proactively protect our ability to advertise, promote, and market our products via a juvenile initiative.”

“Juvenile initiative = a series of programs and events to discourage juvenile smoking because smoking is an adult decision.”
Minimum Age 18


Image source: http://www.dhss.delaware.gov/dhss/dph/dpc/youthaccess.html, retrieved 21/2/06
Changing the Issues

■ Smoking manners

“Smoking is prohibited in public places like railway stations, airports, museums and art galleries, except for designated smoking areas. There are some wards ("ku" in Japanese) that have specific rules in the form of bylaws concerning smoking. If these regulations are broken, the smoker is liable to pay a fine. There is a provision of punishment for smoking on the street or in public places without carrying a portable ashtray as well as for throwing away cigarette butts.”

Source: http://www.tourism.metro.tokyo.jp/english/basic/basic09.html accessed 2/23/06
Table 1  Tobacco industry-sponsored events, programs and organizations – United States, 1995-1999, b

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of sponsorships</th>
<th>Number of events, programs or organizations sponsored</th>
<th>Number of states in which events or organizations were located</th>
<th>Minin. spons</th>
<th>spons</th>
<th>organ</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS</td>
<td>5</td>
<td>65</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charities/Causes</td>
<td>20</td>
<td>22</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Violence</td>
<td>2</td>
<td>182</td>
<td>51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>37</td>
<td>53</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>15</td>
<td>29</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Festivals</td>
<td>10</td>
<td>12</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hunger</td>
<td>11</td>
<td>180</td>
<td>51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minorities</td>
<td>41</td>
<td>78</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Sports</td>
<td>33</td>
<td>348</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing Arts</td>
<td>56</td>
<td>74</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politics/Government</td>
<td>12</td>
<td>43</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rodeo</td>
<td>11</td>
<td>1,527</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports *</td>
<td>3</td>
<td>55</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visual Arts</td>
<td>24</td>
<td>31</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>10</td>
<td>33</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Youth</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300</strong></td>
<td><strong>2,733</strong></td>
<td><strong>51</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Sponsorships of rodeo and motor sports events are included as separate entries.

† Sponsorship amount could only be ascertained for a limited number of the identified sponsorships. There represent a bare minimum for the amount of sponsorship funding in each category.

‡ Total is less than the sum of the column figures because one sponsorship was included in two categories.
“… Because for us, economic performance is not the only measure of our success. Honesty, integrity, and social responsibility are just as important to the way we measure ourselves.”

— Philip Morris International

“Our companies are committed to providing consumers with pleasure through excellent products and to demonstrating that we are meeting our commercial goals in ways that are consistent with reasonable societal expectations of a responsible tobacco group in the 21st century.”

— British American Tobacco
Argentina
Australia
Brazil
Germany
Hong Kong
Hungary
Japan
Korea
Malaysia
Mexico
New Zealand
Nigeria
Poland
Russia
South Africa
USA
Cigarette Smoking and Addiction

- We agree with the overwhelming medical and scientific consensus that cigarette smoking is addictive. It can be very difficult to quit smoking but this should not deter smokers who want to quit from trying to do so.

http://philipmorris.com/default.asp
Cigarette Smoking and Disease in Smokers

- There is an overwhelming medical and scientific consensus that cigarette smoking causes lung cancer, heart disease, emphysema, and other serious diseases in smokers. Smokers are far more likely to develop serious diseases, like lung cancer, than non-smokers. There is no "safe" cigarette. These are and have been the messages of public health authorities worldwide. Smokers and potential smokers should rely on these messages in making all smoking-related decisions.

- http://philipmorrism.com/default.asp
If you decide to quit smoking…

“Introducing QuitAssist

QuitAssist is an information resource sponsored by Philip Morris USA. It’s designed to help you connect with a wealth of expert quitting information available – usually for free – from government agencies, universities, and respected nonprofit organizations. This QuitAssist guide points the way to programs, telephone quitlines, websites, guides, and more that can help you find your own path to success.

You can also read this guide at QuitAssist Online. Log on through www.philipmorrisusa.com

From there, you can link directly to dozens of resources to help you move ahead and leave cigarettes behind.”

Never mentions the word “addiction”

Aggressively markets the only legal product that, when used as intended by its manufacturers, eventually kills half its users.
Section E

Industry Tactics II: Industry Advertising, Promotion, and Sponsorship
“We refined the objective of a juvenile initiative program as follows: Maintain and proactively protect our ability to advertise, promote, and market our products via a juvenile initiative.*”

— Cathy Leiber, PM International, 1995

Notes: *Juvenile initiative = a series of programs and events designed to discourage juvenile smoking because smoking is an adult decision.
Changes in cigarette marketing expenditure in the USA
1970-99

According to the trade magazine “Advertising Age” the Marlboro man was the most powerful advertising image of the 20th century.

Image source: [http://www.cdc.gov/tobacco/sgr/sgr4kids/adbust.htm](http://www.cdc.gov/tobacco/sgr/sgr4kids/adbust.htm) retrieved 2/23/06
Advertising Strategies

- Targeting women
- Targeting youth
- Selling America
- Sponsorship of sporting events and concerts
- Contests and give-aways
- Brand stretching
Section F

Industry Tactics III: Lobbying, Legislation, and Litigation
Lobbying and Legislation

Messages

- Media Manipulation
- Public Relations
- Issue Framing
- Creating Illusion of Support
- Usurping the Agenda
- Lobbying & Legislative Strategy
- Lobbying Tactics

Action

- Legal & Economic Intimidation
- Harassment
- Harassment
- Science PR

A Long History of Lobbying

- 1890—Tobacco appeared in the U.S. *Pharmacopeia* (official U.S. government listing of drugs)
- 1905—Dropped from list before the 1906 Food and Drug Act (legislation that created the Food and Drug Administration)
- 2005—FDA cannot regulate nicotine in tobacco
Four of the twelve most generous donors to the 2000 Bush Campaign (#1 Phillip Morris, RJR, UST, Brown and Williamson)

- $18 million to federal candidates between 1997 and 2003
  - 82% to Republican candidates and committees

- U.S. $43 million spent to counter McCain bill (highest amount ever spent on a sustained issue advocacy campaign in the U.S.)
Counter regulations aimed at creating smoke-free workplaces and public places

- September 30, 1991—Neri Bill approved by Senate (advertising, promotion and sampling ban, limit public smoking)
- Industry campaign—media debates, briefing packages to Senators and the President, paid chief scientific advisor to President
- October 13, 1991—President vetoes law
June, 2001

- Philip Morris presents members of the Health and Social Affairs Committee of the Czech Parliament, a "study" concluding that smoking is good for the Czech government's finances because of the savings from early deaths caused by smoking.
“We could never win at the local level. . . . The reason is [that] all of the health advocates, the ones that I unfortunately used to call ‘health nazis,’ they’re all local activists who run the little political organizations. . . . So the Tobacco Institute and the tobacco companies’ first priority has always been to preempt the field, preferably to put it all on the federal level, but, if they can’t do that, at least on the state level, because the health advocates can’t compete with me on the state level.”

— Victor Crawford, former Maryland state legislator
British American Tobacco

11 September 2001

INTERNATIONAL TOBACCO PRODUCTS MARKETING STANDARDS

The parties subscribing to these Standards (the “Participants”) wish to record their belief that tobacco products should be marketed in a responsible manner and that reasonable measures should be taken to ensure that the promotion and distribution of tobacco products is:

• directed at adult smokers and not at youth, and
• consistent with the principle of informed adult choice
“We have analyzed the nine-page agreement and believe that the multinationals’ strategy is proactive and is a way to improve their image . . .”

“Also, by proactively setting new international tobacco marketing standards, the multinationals could be trying to counter a number of proposals that the WHO has been working on to curb the amount of cigarettes that are consumed on an international level.”

“. . . Interestingly, in many countries the existing laws or industry codes are already more restrictive than the provisions of the international marketing standards.”
Creating the Illusion of Support

Front Groups

It has been a common practice of Big Tobacco to use third parties or to create front groups "to be out in front fighting" smokefree policies, while the industry remains behind the scenes, protecting its public image.

- Americans for Nonsmokers’ Rights

- Buying citizen involvement (letter writing, phone banking campaigns) by supporting front groups

- “Hand” of the industry remains hidden
"I've learned from experience that as soon as I'm identified as a representative of the Tobacco Institute, I lose all credibility. They just sneer us away...so I try to work behind the scenes whenever I can."

- Ron Saldana, lobbyist for the Tobacco Institute, 8/24/86

"[Establish] ITGA [International Tobacco Growers Association] [as a] front group for our third world lobby activities at WHO"

Source: Report of the WHO Committee of Experts on Tobacco Industry Documents
Legal and Economic Intimidation

Messages

- Media Manipulation
- Public Relations
- Issue Framing
- Usurping the Agenda
- Creating Illusion of Support
- Lobbying & Legislative Strategy
- Lobbying Tactics
- Science PR
- Undermining Science
- Harassment
- Legal & Economic Intimidation

Covert

Action

Public

“Tobacco Industry in Fight To Get Universities’ Data
Legal Moves Termed Fishing Expedition”


“The tobacco companies have commenced nothing short of a campaign of harassment against the academic institutions that discovered smoking is injurious to the public health.”

—Estelle A. Fishbein, general council for Johns Hopkins University
PUBLIC HEALTH MATTERS

Public Health Under Attack: The American Stop Smoking Intervention Study (ASSIST) and the Tobacco Industry

- White, J. and L.A. Bero