



ALLIANCE BULLETIN

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Today's Weather: Rain
High 20 C Low 9 C
69 F 46 F

Exchange Rate: 20 Swiss FR =
Nigerian Naira 1,328.29 Mexican Peso 106.659
Hong Kong Dollar 89.932 Greek Drachma 4,428.44

INB-2 WEDNESDAY

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TODAY'S DELEGATE BRIEFING

SMUGGLING

2 May 2001
13.00-14.00
Salle III/Room 3

Speakers:
Yussef Saloojee
Francis Thompson
Luk Joossens

Lunch will be provided

DEATH CLOCK

Since the opening of the first working group for the Framework Convention on Tobacco Control on October 25, 1999,

6,113,421
people have died from tobacco-related diseases.
(As of 8am 2 May 2001)

Developing Nation NGOs: FCTC Would Reduce Poverty

A strong Framework Convention on Tobacco Control would create employment opportunities, reduce poverty and protect the environment in developing countries, according to leaders of several developing country NGOs who held a press conference Tuesday.

The briefing was held to dispel the myth, perpetuated by the tobacco industry, that tobacco control measures would cause job loss and exacerbate poverty in developing countries. By 2030, 70 percent of all deaths from tobacco will occur in developing countries, according to the WHO.

Comments from the briefing include:

Dr. Prakash Gupta, Action Council Against Tobacco in India: "The Framework Convention on Tobacco Control is about reducing demand for tobacco, not its supply. Even in countries where tobacco control is quite strong, such as Thailand, tobacco use is not declining more than 1% per year. With population numbers in most developing countries increasing by more than 1% per year, not a single tobacco farmer or industry worker will lose his job through tobacco control in our lifetime. And as spending patterns switch from tobacco to other products, new jobs will be created in other sectors."

Tania Amir, a lawyer from the Bangladesh Anti-tobacco Alliance: "A recent study in Bangladesh showed that if tobacco were no longer consumed in Bangladesh, there would be a net increase in employment of almost 19%, as money saved is spent on other goods. What's more, 10.5 million fewer people would go hungry and 350 fewer children

under five would die of malnutrition each day as poor families find they are able to afford foodstuffs such as milk, eggs and chicken once they are liberated from addiction to tobacco. Tobacco is not only a health issue, it is also a development issue."

Phillip Karugaba, The Environmental Action Network in Uganda: "Tobacco curing causes deforestation and with deforestation comes loss of biodiversity, soil erosion and loss of soil fertility. Recent studies have concluded that 1.7% of total global deforestation is caused by tobacco production, with the figure rising to an average of 4.6% across the tobacco growing countries. And the pesticides used in tobacco production are a health hazard too – some causing skin problems and a greater risk of developing cancer. The FCTC provides an opportunity to tackle these environmental issues. To be healthy we need a healthy environment."

Eva Kralikova, Czech Medical Association: "Tobacco control policy in developed countries can have an effect on developing and transitional countries – for better and for worse. In particular, the 'transitional' countries of Central and Eastern Europe watch closely what the EU does. The overturning in the courts of the EU ban on tobacco advertising last year has stopped Czech tobacco control legislation from coming to fruition and the tobacco industry is doing very strong and systematic lobbying of our politicians. This is why we need a strong FCTC – as a defense against back-sliding in the West and to help us get tough national tobacco control policies implemented as soon as possible."

Smuggling: Aided and Abetted by Big Tobacco

(The following is adapted from a new report, Illegal Pathways to Illegal Profits, being released today by the Campaign for Tobacco-Free Kids (USA).)

One in three of the world's exported cigarettes – about 400 billion cigarettes each year – turns up as illegal contraband. In fact, cigarettes are the world's most widely smuggled legal consumer product.

Cigarette smuggling hurts the world's nations by evading otherwise applicable duty fees and taxes. It also increases the number of smokers by providing a less-expensive supply of cigarettes, es-

pecially for the young and the poor; undermines national efforts to restrict access to cigarettes by children; and steals away public revenues that could otherwise be used for public health efforts. At the same time, it also increases smoking-caused health care costs and smuggling-related law enforcement expenditures.

The multinational cigarette companies say that the solution for the world's governments is to reduce cigarette taxes and duty fees to reduce the incentives to smuggle. But an enormous, growing body of evidence shows that the major cigarette com-

panies themselves encourage and support organized cigarette smuggling as a way to penetrate otherwise closed markets, increase the sales of their brands and provide an argument against high or increased levels of cigarette taxes or import duties.

In addition, international studies have clearly established two key facts:

1. Raising national cigarette taxes is one of the most effective ways for a country to increase its

(Continued on page 2)

FACT: One in three of the world's exported cigarettes turns up as illegal contraband. That's about 400 billion smuggled cigarettes each year.

TODAY'S SCHEDULE

2 May 2001

Time of Negotiating Sessions
Morning: 10.00-13.00
Afternoon: 15.00-18.00
Evening: 19.30-22.00

9.00-9.30

FCA Women's Caucus Meeting
Salle XVI/Room 16

13.00-14.00

FCA Delegate Briefing:
Smuggling
Salle III/Room 3

The Framework Convention Alliance (FCA) is an alliance of NGOs from around the world working to achieve the strongest possible Framework Convention on Tobacco Control. Views expressed in the *Alliance Bulletin* are those of the writers and do not necessarily represent those of the sponsors.

Les commentaires de l'Alliance pour la Convention-cadre (FCA) sur l'ensemble du texte du Président sont maintenant disponibles en français. Voir la table de l'Alliance à l'entrée de la Salle I.

FCA Women's Caucus

"Women who smoke like men, will die like men," stated Nancy Kaufman at Tuesday's women's caucus briefing on the U.S. Surgeon General's Report on Women and Smoking. Since 1987, lung cancer has been the leading cancer killer among women in the U.S. and smoking accounts for one of every five deaths from heart disease. It was also noted that women now account for 39% of tobacco-related deaths in the U.S.

Another important report will be released at the end of this month. The WHO Monograph on Women and Tobacco will be released on 31 May – World No Tobacco Day.

Industry Involvement in Cigarette Smuggling

(continued from page 1)

revenues and reduce smoking, especially among youth – despite any related increases in smuggling.

2. The amount of cigarette smuggling in any given country has less to do with its cigarette tax rates as it has to do with its government's policies regarding cigarette smuggling, related enforcement efforts and the general acceptance of smuggling and black market sales of any kind among its populace.

Internal cigarette company documents that have become publicly available through various anti-tobacco lawsuits provide a roadmap to the cigarette companies' efforts to encourage and support organized cigarette smuggling throughout the world.

While the cigarette companies' documents rarely talk about "smuggling," "black-market sales" or "contraband cigarettes," they contain several code words that mean exactly the same thing. The companies refer to cigarettes that are illegally imported into a country as "duty-not-paid" or "DNP" cigarettes. Cigarettes delivered through smuggling routes rather than legal channels are called "transit," "general trade" or "GT" cigarettes.

The major companies have gone well beyond selling cigarettes that they know will end up in the hands of smugglers. They have also carefully monitored and overseen the smuggling of their brands into various countries, often treating the illegal importation and contraband sales of their cigarettes as just one more regularly monitored distribution channel, along with ongoing legal cigarette imports and sales. It is also clear that knowledge of the companies' efforts to promote and facilitate the smuggling of their brands often extended to the highest-ranking company executives.

Among other things, the major cigarette companies have also:

- Intentionally used small amounts of legal imports of certain brands to mask the display and sale of smuggled cigarettes in a country and to provide an excuse for their marketing efforts to promote sales of the smuggled versions.
- Sent high-level executives to meetings with the middlemen companies directly in charge of the smuggling efforts to discuss details of the smuggling operations.
- Knowingly supplied cigarette smuggling operations used by illegal drug traffickers for money laundering purposes.

Smuggling on Four Continents

BAT and Cameroon

Internal British American Tobacco documents suggest that BAT has been involved in smuggling in about 30 countries in sub-Saharan Africa alone. From the late 1970s through at least the early 1990s, BAT organized both its legal and illegal African operations into regional groupings based on geography and contraband flows. Cameroon, along with Equatorial Guinea and several inland smuggling destination countries, served as a coordinated unit for contraband originally entering Africa from Europe and Latin America.

Philip Morris and Colombia

A smuggling lawsuit brought against Philip Morris by the Colombian governors describes two main smuggling routes, one regional and one transatlantic. The regional route stems from an early 1990s dispute between PM and BAT over the rights to sell the Belmont brand in Colombia and Venezuela. PM won the right in Colombia and BAT won it in Venezuela, and both allegedly sought to infiltrate the other's market with contraband. The Colombian governors also allege that "since at least 1991, the PHILIP MORRIS DEFENDANTS were selling cigarettes to individuals whom they knew were reputed to be drug smugglers" in a drug money laundering scheme extending from Colombia to the US to Europe and back to Colombia.

BAT and Bangladesh

BAT's own internal documents show that large volumes of its cigarettes have been smuggled into Bangladesh for many years. Although BAT has fostered cigarette smuggling throughout Asia, Bangladesh was a key destination, probably because of its large population, the local preference for British-style cigarettes, and its location adjacent to the burgeoning market for major-brand cigarettes in India.

RJR and Spain

R.J. Reynolds involvement in smuggling in Spain has been extensively documented in articles in the New York Times and a recent European Union smuggling lawsuit. RJR's alleged scheme was to ship Winston cigarettes from the U.S. to a company in Panama, which would then ship them to Rotterdam in the Netherlands, from where they would be illegally trucked to Barcelona, with false documents stating that the cigarettes actually were being legally sent to the Canary Islands or Eastern Europe. The example of Spain, which has one of the lowest cigarette tax rates in the EU, refutes industry arguments about the links between high tax rates and smuggling.

Alliance Views on Smuggling Provisions of Chair's Text

Two major steps are required to combat cigarette smuggling:

1. To the extent possible, shipment of untaxed product across borders must be eliminated.
2. Manufacturers and distributors need to be held liable for ensuring that shipments do not get diverted into contraband markets.

We are very pleased to see, under item F. 2. (a), that signatories would be required to prohibit tax-free and duty-free sales, as the European Union has already done. However, this obligation would still allow manufacturers to ship untaxed cigarettes across international borders so long as the cigarettes were not being sold in the process. To prevent this, negotiators should add a provision to tax cigarettes at the point of manufacture, possibly with a later setoff for tobacco taxes paid in the importing jurisdiction.

With respect to the second issue, that of liability, we welcome the provisions under items I. 3 (a) and (b) that would ensure that all unit packages carry statements indicating the origin and the final destination of tobacco products. A strict liability chain-of-custody system for tobacco products should be mandated. Manufacturers would be required to exercise due diligence in ensuring that they are not directly or indirectly supplying the contraband market and would be fined for any diversion of their products into the black market.

FACT: Well-known international cigarette brands—Marlboro, State Express 555, Benson & Hedges, Camel, Winston—are the smugglers' brands of choice.

La complicité des multinationales dans la contrebande de cigarettes

La contrebande de cigarettes a longtemps été perçue comme un effet pervers mais inévitable et incontrôlable des écarts de taxes entre pays voisins. Depuis un certain temps, à travers une vague sans précédent de poursuites civiles et d'enquêtes dans de nombreux pays, on découvre une autre réalité : la contrebande à grande échelle fait partie intégrante des stratégies de marketing des multinationales du tabac.

En particulier à travers les archives secrètes de la British American Tobacco (BAT) – rendues publiques suite à un jugement de la cour au Minnesota – il devient clair jusqu'à quel point il y a complicité entre les cigarettiers et les distributeurs qui fournissent le marché de la contrebande. Que ce soit en Amérique latine, en Afrique ou en Europe, les multinationales sont même capables d'ajuster le prix de la cigarette sur le marché noir pour répondre à leurs priorités de marketing.

Le rôle plus que douteux des cigarettiers donne maintenant lieu à une vague de poursuites civiles et d'enquêtes criminelles sur plusieurs continents :

1. L'Union européenne a déposé une plainte civile contre Philip Morris et R.J.

Reynolds pour complicité présumée dans l'approvisionnement du marché noir européen; l'Allemagne, l'Italie, la France, les Pays-Bas, l'Espagne, la Grèce, le Portugal, la Belgique et la Finlande se sont joints à cette poursuite, qui sera instruite aux États-Unis en vertu de la loi RICO (Racketeer Influenced Corrupt Organizations Act, conçue pour combattre le crime organisé). Dans le cas de la contrebande transitant par l'Italie, des liens étroits avec la mafia sont allégués.

2. Le Canada poursuit R.J. Reynolds et le Conseil Canadien des fabricants de produits du tabac pour le rôle joué dans la crise de la contrebande en 1991-1994.

3. Aux États-Unis, une filiale de R.J. Reynolds, NBI, a déjà plaidé coupable à des accusations criminelles relatives à des activités de contrebande vers le Canada. Un *grand jury* fait actuellement enquête en Caroline du Nord sur les activités des multinationales.

4. La majorité des départements de Colombie ont intenté une poursuite civile contre les grands cigarettiers ; dans le cas de la Colombie, selon la plainte, la contrebande de cigarettes aurait servi à recycler des narcodollars en pesos colombiens. L'Équateur a déposé une plainte semblable.

5. Au Royaume-Uni, où se situe le siège social de BAT, une commission parlementaire s'est penchée l'année passée sur la question de la contrebande. Suite aux recommandations de la commission, le ministère britannique du Commerce et de l'Industrie procède actuellement à une enquête officielle sur les pratiques de BAT.

Pour de plus amples informations sur la contrebande, en français, consultez www.nhra-adnf.ca/francais/contrebande.html. L'organisme britannique ASH (www.ash.org.uk) maintient lui aussi un excellent site sur le sujet.

Jurisdictions that are taking legal action against the tobacco industry for alleged involvement in cigarette smuggling:

1. European Union, joined by Germany, France, Italy, Spain, the Netherlands, Belgium, Greece, Portugal and Finland.
2. The majority of Colombian departments
3. Ecuador
4. Canada
5. United States
6. In Britain, the Department of Trade and Industry is conducting an official investigation into the international activities of British American Tobacco.

Orchid Award



CANADA

For pioneering graphic pictorial images as part of cigarette package warnings.

Dirty Ashtray

UNITED STATES

For making interventions seeking to weaken provisions on tax and price policies, "light" and "low" branding and packaging and labeling.



The Negotiations: Quotes of the Day

Congo: "Harmonization of prices is good because it would curb illicit frontier traffic and it may increase prices, which is a good thing."

Cameroon: "We should stress the importance of the resources coming from fiscal measures. These resources should be used in part to treat illnesses arising from tobacco consumption."

Iran: "The beneficiaries of tax-free (cigarettes) are smokers and givers of cheap gifts."

Vietnam: "The tax imposed on tobacco products must be at a high level. Governments must increase the price on tobacco products."

Jordan: on provision of Chair's text calling for action on price and tax measures "to the extent possible": "If we maintain the path of the paragraph we will give governments unnecessary flexibility that will take the sting out of any measures we want to take."

Paraguay: "Smuggling doesn't just have to do with prices. It has to do with corruption, which we're not talking about here."

Shane Bradbrook, New Zealand at the unveiling of the death clock: "The Pacific Region was traditionally a tobacco-free zone for hundreds of years. Now it is again a region that has sadly joined this

global epidemic. I call on all delegates to make a strong convention that will reduce the numbers represented by the clock."

Prakash Gupta, Vice President, Action Council Against Tobacco at the unveiling of the death clock: "The number you see here has been arrived at using large scientific studies and highly technical sophisticated modeling procedures. None of that, however, can quantify the tears and the misery that lies behind them."

Views from the Alliance

A Call for European Political Leadership

European Network for Smoking Prevention (ESPN)

The General Assembly of the European Network for Smoking Prevention, with participation of 57 delegates from 20 European countries, urges the governments of the European Union to show political leadership in Europe by taking a strong position in the negotiations for the Framework Convention on Tobacco Control.

The delegates call upon the European Member States to support a comprehensive framework convention including measures that can only be addressed at an international level. It is therefore necessary to take an EU position which goes beyond the "acquis communautaire". European public health organisations urge all governments to adopt the following measures:

Two protocols on advertising and smuggling should be negotiated simultaneously with the FCTC:

1. Since 10 EU countries have, or soon will have, comprehensive bans on tobacco advertising, European governments should support a ban on all forms of tobacco advertising and promotion, including brand stretching and all forms of electronic communication — such as the internet — without distinguishing advertising reportedly directed at adults and young people.

2. Since nine EU countries have launched a legal action on smuggling against three major international tobacco companies and because widespread tobacco smuggling can thoroughly undermine national tobacco control activities, all governments should endorse strong measures to combat tobacco smuggling including clear and effective judicial, legal and liability measures; this should include measures in the Convention on pack markings to indicate the origin and final destination

of tobacco goods.

In the interest of public health, the FCTC provisions must take precedence over trade agreements. Moreover, the Convention must not undermine existing tobacco control initiatives or regulations in any signatory state, nor prevent, pre-empt or discourage any party from taking stronger action than required by the FCTC. In order to make a strong and binding treaty the Convention should feature a series of specific commitments:

1) A ban on all forms of tobacco advertising and promotion, including brand stretching and all forms of electronic communication — such as the internet - without distinguishing advertising reportedly directed at adults and young people;

2) Strong measures to combat tobacco smuggling including clear and effective judicial, legal and liability measures; this

should include measures in the Convention on pack markings to indicate the origin and final destination of tobacco goods;

3) Prominent health warnings covering at least 50% of the pack in the main language of the country where the goods are to be sold;

4) A ban on all internet and mail order sales of tobacco products;

5) A ban on tax free sales of tobacco products; and

6) An end to subsidies to tobacco growers with a special fund to help farmers make the transition to other activities.

The European non-governmental organizations call upon the EU Presidency to set up a transparent and permanent structure to inform NGOs on EU positions during the FCTC negotiations.

Sigtuna, Sweden March 2001

Views from the Alliance

Declaration on the FCTC by Tobacco Control NGOs in India

Goa Declaration

From 19-21 April 2001, NGO and other civil society delegates met in Goa, India, and made the following declaration about the Framework Convention.

Reaffirming the commitment to tobacco control measures embedded in the WHA resolutions on tobacco control,

Alarmed by the relentless increase of tobacco-related diseases and deaths globally and specifically in India,

Concerned by the negative consequences of tobacco production and use to the environment,

Alarmed about aggressive tobacco advertising, sponsorship, and promotion campaigns,

Conscious of the importance of civil society's active participation in the negotiation and eventual implementation of the Framework Convention on Tobacco Control,

Noting the cultural, linguistic, and religious diversity and the vastness of India, and the multitude of agencies involved in the framing and implementation of tobacco control policies, the undersigned nevertheless agree on

the following:

Reaffirm the need for NGO participation in the Framework Convention on Tobacco Control process both at national and international levels,

Call on the Intergovernmental Negotiating Body on the Framework Convention on Tobacco Control to ensure that the final negotiated text of the Convention prioritizes public health over everything else;

Encourage measures to protect the public from exposure to tobacco smoke;

Support international actions to control smuggling of tobacco products;

Declare complete support for the tobacco control bill currently in the Indian Parliament,

Urge the central and state governments to raise tobacco taxes and allocate a portion for the enactment and implementation of tobacco control policies that have been proven effective at reducing tobacco use;

Urge the government to impose a total ban on all forms of tobacco advertising, promotion, and sponsorship;

Signed:

Dr. Nirmala Vaidya - National Organisation for Tobacco eradication, Goa
Dr. Shekhar Salkar - Goa Cancer Society, Goa
Mr. Bhaskar Nayak - Goa Cancer Society, Goa
Dr. P. C. Gupta - Action Council Against Tobacco - India
Dr. Mira Aghi - Joint Action Committee for Anti-Tobacco Bill
Dr. Shyamkant Joshi, No-Tobacco Organisation, Nagpur
Dr. Vinay Hazarey, No-Tobacco Organisation, Nagpur
Dr. V. Gajalaxmi - Cancer Institute, Chennai
Mrs. Gianshri Datta, - Action Council Against Tobacco - India
Dr. S. Shanmuganandan, National Association for Environment and Health, Madurai
Dr. R. Y. Wagh, Health Foundation, Mumbai
Dr. Gurmeet Hans, Tata Institute of Social Sciences, Mumbai.
Ms. Shoba John, Association for Consumer Safety and Health, Mumbai
Dr. B. S. Sanyal, National Organisation for Tobacco Eradication, Bhopal
Mr. Bejon Misra, Voluntary Organisation in Interest of Consumer Education, New Delhi
Dr. Babu Mathew, Regional Cancer Centre, Thiruvananthapuram
Dr. Mahabir Das, National Organisation for Tobacco Eradication, Patna
Dr. Kalyan Gangwal, Sarv Jeev Mangal Pratishthan, Pune
Prof. Manubhai Shah - Consumer Society, Ahmedabad
Dr. N. G. Wagle, Consumer Guidance Society of India, Mumbai
Dr. Rakesh Gupta, Action Council against Tobacco, Jaipur
Dr. C. R. Soman, National Organisation for Tobacco Eradication, Kerala
Dr. Aruna Prasad, Anti-Tobacco Cell of Karnataka, Bangalore

*Adopted in Goa, India
21 April 2001*