



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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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,¹⁻⁹ 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 combating 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."⁵⁹ 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,⁵⁹ 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 world-wide 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.³⁵ 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 TAHSA [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.⁵⁹ Several of the BAT documents describe these lobbying efforts in more detail. For example, a 1991 document describes how Chiletabacos, 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 MP's 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.¹¹⁴

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 Govn’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.¹¹²[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 ...¹¹³*

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.¹¹¹ 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. ...¹¹³ [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.¹¹³ 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^{103, 113} 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.¹¹³ [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)

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} 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]^{155b}

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 evaluacion 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

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 collusionary 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.¹⁻⁷ 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 \$365,000.³³ 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 Rodrigues	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.^{8,19}

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 expensed 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.^{35,122-125} 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.”^{82,144}

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.⁸¹

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 “merchandized” 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.”⁸¹

It is not clear from documents currently available whether the APCO plan was approved and implemented, 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 restrictions in the region. PM was apparently concerned with the region’s increasing number of proposals for workplace smoking restrictions and wanted to preempt legislative action. Although the company had been focusing on restaurants and the hospitality industry,^{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’ accommodation 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 company’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 Campaign” 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 Center for Tobacco Studies and Information.^{97, 164-167}

In practical terms, what these campaigns promoted was the implementation of coexisting smoking and nonsmoking 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 (“accommodation” 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 campaign 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 codes²⁹⁻³¹ (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.^{21,51}

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/Cartons [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. ...⁵⁷ [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.”⁵¹ 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.⁹² [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”.⁹³ 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 uptrade (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 uptraded 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 mess [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. ...¹⁸⁶

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:¹⁸⁷

... “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)¹⁸⁷

... 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.¹⁸⁷

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.¹⁸⁷

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: Deterring 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.¹⁵⁶⁻¹⁶⁰ 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 imp. [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 ...¹⁸³

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, 10s (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,²⁻⁴ the US,⁵ Ecuador,⁶ Colombia,⁷⁻⁸ 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/Giovanxex	Romar/J. Vegaz/Giovanxex	Romar	Romar/Giovanxex
Panama		Giovanxex	Giovanxex	TISA/Romar	Giovanxex 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
- leverage Group long-standing strength in the D.N.P. region.
- protect the Group's main brand franchises.⁸⁷

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, Sousa 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.

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/Pergely/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

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

Fini de Otero Directora, Asuntos Corporativos, CA Tabacalera Nacional (Venezuela)
Cathy Ellis Chief scientist
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
Ted Lattanzio Former Director of Regulatory Affairs
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
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 Caribbeanⁱ

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

ⁱ 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



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