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COVETING IRAN:

The Infiltration and Exploitation of Iran by Global Cigarette Companies

September, 2001

Table of Acronyms

BAT - London-based holding company BAT Industries plc or its main tobacco subsidiary, British American Tobacco plc

BATUKE - British American Tobacco (United Kingdom and Export) plc, then a BAT subsidiary constituting the export arm

B&W - Brown & Williamson Tobacco Ltd., the chief American tobacco subsidiary of BAT

DNP - “Duty Not Paid,” an industry euphemism for smuggled cigarettes

GT - “General Trade,” an industry euphemism for smuggled cigarettes

IMF - Geneva-based trading company bringing consumer products into Iran

ITC - Iranian Tobacco Company, the Iranian tobacco monopoly

RJR - R.J. Reynolds Tobacco Ltd.

PM - Philip Morris Companies

PMI - Philip Morris International

SBU - strategic business unit, an organisational division within RJR

TF or T/F - “tax free,” as suggested by the company’s documents, RJR’s euphemism for smuggled cigarettes in Iran

USIB - United States International Brands, U.S.-style blended cigarettes

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INTRODUCTION

The multinational cigarette industry has long viewed Iran as a jewel to be plucked, albeit a difficult jewel.[1] In 1994, R.J. Reynolds Tobacco (RJR), then the owner of the dominant international tobacco brand in Iran, stated it thus:

> "Given Iran's strategic importance in this part of the world and the geopolitical situation (Islamic Republics), RJR must protect and further strengthen its leadership position …"[2]

Indeed, many of the tobacco industry's once secret, internal documents -- documents obtained from court proceedings in the United States -- make the importance placed on Iran by the entire tobacco industry very clear.[3]

Several reasons for the interest in Iran apply to all of the major tobacco companies: (i) a large population; (ii) rising living standards; (iii) moderate cigarette consumption levels leaving room for growth; and (iv) a worldwide trend towards a diminished role for state tobacco monopolies. Moreover, Iran is conveniently located, wedged between the tobacco industry's established smuggling centres in the Middle East and the burgeoning tobacco markets in the subcontinent and the former Soviet Union. The documents suggest that the multinational tobacco companies saw Iran was not only a market, but also as a conduit for the supply of contraband cigarettes to other countries.

Overall, the tobacco industry's documents suggest that Iran was viewed by the global cigarette companies as a battlefield where the national tobacco monopoly could be duped, government officials could be misled, and the physical health of Iranians could be sacrificed for the financial health of the companies' shareholders.

Documents from the industry itself describe how the companies sought to accomplish this, particularly through smuggling. It is a fascinating tale of an industry out of control. Ethical standards of behaviour were forgotten in a competitive quest for yet more smokers. Although the documents available for review at the depositories are all at least five years old, recent press reports from Iran suggest a continuing smuggling problem and, quite possibly, the continuing success of the international tobacco companies in this regard.[4]

SMUGGLING CIGARETTES INTO IRAN

Setting the Stage

With many documented examples of the tobacco companies smuggling their own cigarettes in Latin America, Asia, Europe, North America and Africa,[5] it is not surprising that the documents suggest that the same companies were also engaged in similar activity in Iran. Apparently using a variety of euphemisms for smuggling including "duty not paid" (or DNP), "transit," and "general trade" (or GT), which are well explained elsewhere,[6] the desire of tobacco companies to smuggle into Iran is sometimes stated in very plain terms, in this instance amongst senior executives within British American Tobacco (BAT):

> "If there are opportunities to transit to Iran these should be taken up."[7]

The breadth of involvement by the cigarette manufacturers in Iranian smuggling is suggested by the companies' very precise knowledge of the size, routing and mechanisms by which smuggled cigarettes enter Iran. One would expect that a true outsider would only be able to ascertain very rough estimates of smuggling, but the tobacco companies seem to be able to do much better than that. In 1996, BAT's calculation concluded:

> "Iran, Iraq, Syria and Lebanon have a Government monopoly on cigarette manufacturing and in Syria and Lebanon on imports as well ... Lebanon permits free imports. Syria allows limited quantities whilst there is a complete ban in Iran. *Despite this, or because of this, 62% of Iran's market is Transit*."[8] (emphasis added)

In 1994, using RJR's euphemism "tax free" (explained in detain, *infra*), the Iranian contraband market was calculated to be slightly larger:

> "Iran: Marketing and Operating Environment

"Industry Volume: ...	BN	%
Tax Free	24.5	68
Local Manufacture	7.5	21
Contract Manufacture	4.0	11
Total	36.0	100"

RJR's Formula for Success

Throughout the 1980s and early 1990s, the period best captured by the documents, R.J. Reynolds was the dominant international tobacco company in Iran, largely driven by the brand Winston. RJR documents indicate they had a 50% share of the Iranian market with 16.4 billion units being sold annually, and described their prospects in Iran as "numerous and promising."[9] More tellingly, RJR's own documents suggest that smuggling was integral to the operations that got the company to that enviable position. And smuggling, the documents indicate, was the norm not an aberration.

In 1990s business plans of R.J. Reynolds, we see the company carefully orchestrating what it terms its "tax free" operations in Iran. The context of the document suggests that in RJR's usage, "tax free" means something entirely different from what many would call "duty free" cigarettes.[10] A July, 1994 RJR document describes how the company is planning to address volatility in the "tax free" business. This volatility stems not from changing consumer preferences, but from a possible Iranian clamp-down on tax free products.[11] Also discussed is a need to "legitimise" the company's tax free operations.[12]

The reasonable conclusion from all of this is that the term "tax free," as used here, is RJR's euphemism for smuggled cigarettes. In 1994, RJR summarized their tax free operations in Iran as follows:

> "Iran: RJR's Current Business Status
>
> "Tax Free:
>
> - Volatile due to loss in purchasing power, currency devaluation and strong ITC/Government clamp down
> - Channels: Gulf (south), Mersin (north, new)"[13]

Often in response to allegations of involvement in the smuggling of their own cigarettes, tobacco companies deny involvement, claiming that they sell to middlemen, and what those middlemen do with their cigarettes is beyond their control.[14] However, in Iran, as elsewhere, the documents suggest that the industry manipulates the business environment, especially prices, to best facilitate the smuggling trade. The Iranian business plans of RJR capture this:

> "Objectives and Strategies:
>
> - Protect RJR's business base and specifically Winston franchise

- *Adapt flexible pricing strategy in T/F [Tax Free] business*
- Support/control of distributors to ensure business momentum and price stability
- Maintain preferential relationship with ITC/Rasht venture"[15] (emphasis added)

Other incentives to smuggle in Iran are also indicated in RJR's documents. The same document seems to suggest that RJR was both actively seeking out new smuggling opportunities and exerting control over those in the smuggling distribution chain:

> "Objectives & strategies: …
>
> "*Optimize Tax Free*
>
> - *Using all channels and exploring new ones*
> - *Controling and incentivizing distributors*
> - Focus on Winston and competitive use of Magna, Century and Broadway
> - Market sensitive pricing" [16] (emphasis added)

SPECIFIC SMUGGLING ROUTES TO IRAN

From The Gulf to Iran: A Cigarette Pipeline

It was not until the early 1990s that BAT's New Business Development Group began to describe Iran as a "first priority" market.[17] About the same time the seniormost decision making body within BAT, the Tobacco Strategy Group, came to a similar conclusion.[18]

Prior to the 1990s, the documents indicate that BAT had long been marginalised in the Iranian market by the strength of RJR's brand, Winston, most of which apparently arrived as contraband. When BAT sought to challenge RJR's dominance in Iran by seeking broader entry into the market, they naturally evaluated the distribution routes of their competitors. In doing this BAT succinctly summarised two smuggling routes operating in the early 1990s:

> "All imported product enters the market via Dubai to the southern ports of Iran or through Turkey ex Cyprus. From there it is transported by bus or truck to large secure warehouses on the outskirts of major cities. As this activity is considered smuggling little is

> known of distribution thereafter, however, all brands, notably Winston and Marlboro, are clearly visible at point of sale."[19]

Apparently the flows of contraband or duty not paid (DNP) cigarettes from Dubai to southern Iran had been operating from at least the early 1980s. Very senior executives from BAT's American subsidiary, Brown & Williamson, were apprised of the smuggling of RJR products back in 1983:

> "Mehdi Kafaeian, who worked for Vepka now lives in Dubai ... Kafaeian reported that the only DNP coming into the country was Winston – between 1,200 and 1,400 cases month from Dubai into the south of Iran. Product is handled on a direct to home delivery. No reliable price information obtained."[20]

A Channel via Kish Island

When BAT began to review plans for Iranian operations it considered a variety of entry routes to bring cigarettes into the country, including reviewing the smuggling routes of its competitors. It seems, however, that BAT's attention was drawn to one channel in particular: Kish Island. A BAT planning document from the early 1990s described it this way:

> "A new route is being developed by [BAT's export arm] BATUKE through a small duty free island in the Persian Gulf, Kish Island. Goods are transferred by motor launch to the mainland."[21]

Duty free zones are commonplace in many countries, and these zones serve a legitimate function, including legal sales of tobacco. However, as discussed in greater detail in the section below on manipulation of the Iranian government, duty free zones have been extensively exploited in many countries as a channel for smuggling contraband cigarettes.

There remains, then, the question as to whether it was BAT's intention to smuggle cigarettes into Iran via Kish Island. BAT was a minor player in Iran, and quite a late entrant right at the tail end of the time period covered by documents in their depository, so later documents that might settle this are not presently available. That said, given the attention BAT paid to existing smuggling routes, the specific mention of moving cigarettes via motor launch to mainland Iran, and the likelihood that BAT would be seeking much larger overall access than legal duty free sales alone would offer, one might reasonably conclude that BAT's interest in Kish Island was as a channel for smuggling.

The Turkish Contraband Supply Line

Both tobacco industry documents and published reports describe how BAT, and particularly BAT's American subsidiary Brown & Williamson (B&W), have had a longstanding smuggling operations originating from Cyprus. The reports detail how these were operated on BAT's behalf by a Cypriot company, Kental.[22]

> "B&W appointed Kental as exclusive agent for B&W brands ex-Cyprus in November 1984 ... [B&W's] Regional [office] wanted Kental to be able to sell Kent in order to have DNP access to: Syria, Turkey, Jordan, Yemen, East Africa (Sudan, Ethiopia, Somalia). Currently working on routes into Iraq and Iran. Kental will of course sell B&W brands in these markets."[23]

With major flows of contraband to Iran originating from Dubai and controlled by other parties, one might reasonably conclude that the Kental operations described above could be routing the Iran-bound contraband cigarettes via the Turkish route mentioned in BAT's 1992-1996 business plan, discussed previously.

Smuggling via Central Asian Republics

Cigarette smuggling is a competitive business. Industry documents from around the world suggest that it is competitive both between different cigarette manufacturers and between the tobacco companies and independent smugglers. Most documentary evidence observed to date suggests that the tobacco companies use third parties to physically carry the goods across borders, and that the companies are cautious about who they use, most likely to ensure that the contraband ends up where they plan it to go. Consequently, although the companies are often approached by parties to supply cigarettes via a circuitous route, very often the tobacco company turns them down. A set of 1988 correspondence between a company called IMF and BAT over Iran-bound shipments via the Soviet Union -- an arrangement BAT ultimately rejects -- may capture this and expose a northern smuggling route. However, the language is not quite precise enough to say with certainty that we are dealing with contraband. The main thrust of the IMF proposal to BAT, in somewhat fractured English, is contained in the following extract:

> "[W]e are already supplying/shipping cigarettes through USSR/Iranian border route considerable amount of goods valued over U.S. dollars 5,000,000 per month.

> "We are obtaining our supplies of cigarettes from our own sources but though Winston cigarettes are very popular in Iran but State Express and Benson and Hedges are also sold together with some quantities of Rothmans in that market.
>
> "We are prepared to place regular month order of about 1000 cases State Express 555 and about 600/700 cases Benson and Hedges ...
>
> "The quantity of cigarettes moving to Iran is about 25/30 containers per month ..."[24]

Although the above quote refers only to the "USSR/Iranian border," leaving some uncertainty as to whether these late-1980s shipments were coming via the Caucuses or Soviet Central Asia, later documentary evidence suggests a focus on Turkmenistan as the preferred northern route for bringing smuggled cigarettes into Iran:

> "B&W cover the Caucuses and Central Asia from Istanbul. This consists of 7 countries (Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan and Kyrgystan). In due course, Armenia will also be covered within this region and exports from Turkmenistan to Iran can be explored ...
>
> "Historically, the area has been used as a transit area for USIBs [U.S. international brands] to Iran, Iraq, Afghanistan, China, Russia and Turkey with many companies dumping product."[25]

THE DIVERSION OF SMUGGLED CIGARETTES

The documents suggest that the risk of redirection of cigarettes from the intended smuggled destination to another was of specific concern for BAT as they sought to catch up with the main competition which was already well established moving contraband or GT cigarettes into Iran:

> "Total [Iranian] market estimated at well in excess of 35 bns per annum – including probably 5 bns. of GT stock entering via the UAE. RJR (Winston) at 3.5 bns dominates the GT business, but PMI (Marlboro) 1.5 bns, is increasing in popularity ..."
>
> "The Virginia segment is believed to be small, however efforts will be made to establish supplies of Benson & Hedges subject to safeguards to prevent re-direction. Opportunities for the supply of a

> low-cost product sourced off-shore will be explored and, if viable, exploited."[26]

The redirection of cigarettes, intended to be smuggled into Iran but in actuality smuggled to West Africa, appears to be a reason why one potential distributor was cut off:

> "I have evidence on hand that orders for destination IRAN, placed by IMF during the period February 83 - February 84, were not supplied as declared but mainly shipped to West Africa."[27]

For the tobacco companies the *bona fides* of a distribution middleman in the smuggling chain seems to turn on their ability to pay and to deliver the cigarettes to the intended destination, not on other aspects of their character. In Latin America, documents and published reports have linked the tobacco industry with organized crime. With respect to Iran, there is an intriguing document originating from BAT's Moscow office, one that may link tobacco and the weapons trade:

> " ... For information Casalle [who] purchased RJR Brazil leaf operation, is dealing in weapons and in cigarettes with PM, RJR and Gallahers and is known to BAT through Iran."[28]

As expected, the companies watch the smuggling activities of one another quite closely, and documents from one company often discuss the interpreted smuggling activities of another, including companies such as Rothmans who were not party to the Minnesota litigation and there is not publicly available document collection.[29]

IRAN AS A CONDUIT FOR SMUGGLING

One might expect that tobacco smugglers would use the cheapest and most direct, practicable route to a market, and that usually should entail direct shipping from the place of manufacture to the destination country. However, the documents suggest that this is not always so.

There probably are four reasons why the shipment of contraband cigarettes often take very circuitous routes, sometimes moving through several countries on their way to the final destination: (i) the companies seek to have several entry routes for their contraband to guard against a crackdown on any one; (ii) with the trade in contraband cigarettes being so lucrative, shipping costs are a fairly minor overall consideration; (iii) lesser-developed cargo entry points, often those in remoter areas away from the major seaports etc., sometimes come under lesser scrutiny; and (iv) complicated shipping routes create a more convoluted paper trail, thereby making it more difficult to track.

So it is that cigarettes would travel through Iran to reach Pakistan rather than be shipped directly there:

> "Dunhill is the leading smuggled brand (via Iran and Afghanistan). The [Pakistani] Commerce Minister was openly smoking Dunhill, which he admitted to being smuggled, during the meeting with the UK Trade Delegation."[30]

Very senior executives from Brown & Williamson describe one such operative in glowing terms:

> "Mr Aqilli has some routes open from Iran to Afghanistan and Pakistan. He is very interested in supplying 555 and other Virginia products. Do you have any interest in this – if so, let me know who Mr. Aqilli should contact ...
>
> "[O]ur agent for Iran (who is based in Dubai) – the Aqilli Group – requested that I inform you of their interest in distributing Kent in the Dubai market ... This company is, incidentally, an impressive organization. Torquil [Macleod, B&W Business Development Manager for Iran, Iraq and Yemen] would be pleased to arrange for an introduction for [BAT executive] Rob Galgut if you so wish..."[31]

MANIPULATING THE IRANIAN GOVERNMENT

Duty Free as an "Umbrella Operation"

BAT's focus of attention on the duty free facilities at Kish Island, described above, fits the pattern of behaviour utilised by the company elsewhere around the world. A good example of this is Bangladesh, where the BAT's own documents indicate that the company sought to "optimize duty free leakage."[32]

The exploitation of the legal duty free market as a cover for smuggling is a well documented strategy for the tobacco industry. Duty free zones in several countries have proven very porous. Moreover, as seen elsewhere a small, legal duty free market is pursued in order to provide legal cover for promotional activities in support of a brand which is available mostly illegally as contraband. Further, tobacco industry documents highlight the underlying rationale. In several countries the companies do not even expect that legally sold duty free cigarettes will be big money makers rather, they provide something altogether more valuable: cover for the company's smuggling activity. A 1993 BAT document regarding Bangladesh puts this is very blunt terms:

> "Legal imports [of BAT brands] would attract high enough duty to make them difficult to sell, but there is indication that 'legal' imports could hide large scale transit activity."[33]

So regular and brazen is this in some countries that the tobacco companies have their own jargon for these cover-providing duty free sales: umbrella operations.[34]

BAT's business plan for Iran was largely predicated upon Kish Island channel providing a viable access route:

> "*Market Assumptions*
>
> 1. Direct import through ITC will continue to prove difficult.
> 2. *The supply route via Kish Island will remain open*.
> 3. [BAT's agent] Tehran Borran Co. will prove to be an effective importer."[35] (emphasis added)

Duping the Iranian Tobacco Monopoly

Among the most disturbing issues suggested by the industry's documents are attempts by international tobacco companies to exploit the Iranian government and Iranian Tobacco Monopoly in a manner designed to advance their own smuggling operations.

RJR makes an astonishingly frank admission that the company is seeking to develop direct -- that is, legal -- imports via ITC to serve as a cover for the illegal contraband flows and as a supplement to fill in when smuggled volumes prove inadequate or are seized by customs officials:

> "Develop direct ITC Imports
>
> - Winston imported needed to legitimize Tax Free
> - TF supply gaps
> - Reduce price volatility
> - As a hedge against Tax Free Interruptions"[36]

Despite the cigarette companies' fostering of smuggling indicated in numerous industry documents, at least some tobacco companies represented to the Iranian government that it was taxation levels and not carefully orchestrated business actions that was driving smuggling. In an internal document, likely written in 1993, Philip Morris put it this way:

> "Today's taxation of imported cigarettes [in Iran] is dominated by a specific duty of $7.70 per thousand and a Commercial Duty of $2.60 per thousand which together account for over 90% of the tax burden.
>
> "While the specific duty structure is favourable we have demonstrated to the Iranian monopoly that the excessively high level of duty encourages smuggling, estimated at one third of the market and that the optimum duty level is lower."[37]

This is a strategy which industry documents suggest that the cigarette companies have employed successfully in other countries to force a reduction in taxes.[38] The degree to which the tobacco industry was successful in Iran with this ploy is not captured in the documents.

CONCLUSIONS

Internal tobacco industry documents obtained during litigation in Minnesota point towards smuggling being a cornerstone of the industry's marketing strategies in Iran. Though these documents are at least five years old, they are just now beginning to divulge their truths. And with ongoing, large-scale smuggling in Iran continuing to the present day, these documents both: (i) shed some much needed light onto the mechanics of this smuggling; and (ii) help inform policy makers as to the type of interventions required to combat the root cause of the smuggling problem.

However, the degree of coordination and planning suggested in these smuggling documents should not surprise anyone. Frankly, it is difficult to imagine how the tens of billions of smuggled cigarettes required to supply about half the Iranian market each year could be effectively supplied without the complicity of the manufacturers of those cigarettes. The volumes involved, and organisation required is just too great to attribute solely to independent traders taking advantage of occasional lapses in border control. Moreover, the cigarette companies have all the necessary information, and they of course are the chief beneficiaries when smuggling opens up new markets and expands existing ones.

Cigarette smuggling in Iran bears all the hallmarks of smuggling seen elsewhere in the world, including in other countries where the mechanics of the smuggling are documented to a greater degree than that observed to date in Iran.

The major lesson from this document review is that Iran's smuggling problem is not a unique, indigenous one; not one driven by tax differentials between adjacent jurisdictions; and likely not one that Iran can successfully address entirely in isolation. When the perpetrators of smuggling are planning and operating on a regional or even global basis, it is likely that most governmental responses adequate for the task will be of a comparable geographic scale. And one such vehicle for acquiring the requisite level of international cooperation to address the nature of smuggling being exposed here is a comprehensive protocol on smuggling under the Framework Convention on Tobacco Control presently being negotiated under the auspices of the World Health Organization.

[1] Though anxious to make headway in Iran, foreign tobacco companies found both the Iranian government and the national tobacco monopoly, ITC, difficult to deal with. The multinational tobacco industry's collective lobbying organization, Infotab, in a 1983 document entitled "Report from the Secretary-General," (RJR Bates No. 503886978), stated the tobacco industry's opinion this way:

> "The current regime in Iran is not at all sympathetic to multinationals and particularly those of the U.S. and U.K. origin. In addition, the Islamic fundamentalist tone of the government militates against any rationale dialogue on smoking issues."

[2] 29 July 1994 internal report, "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215046.

[3] The 1998 settlement of tobacco litigation in the American state of Minnesota resulted in over 40 million pages of internal tobacco industry documents becoming available. The major cigarette companies included are Philip Morris, R.J. Reynolds and British American Tobacco. While there are omissions from the collections, and for some companies access to the documents is problematic, they do form a unique opportunity to look at the internal workings of a tobacco company. For the most part the documents end in 1995, and volume-wise the collection is weighted heavily roughly from the mid-1970s through the mid-1990s. The materials presented in this report are drawn exclusively from these document collections.

[4] "35bn Cigarettes Smuggled Annually," Tehran Times, 12 August 2001.

[5] See generally, "Illegal Pathways to Illegal Profits," Campaign for Tobacco-Free Kids, April 2001 (www.tobaccofreekids.org/campaign/global/framework/docs/Smuggling.pdf), especially the very extensive list of articles and reports in footnote 3 on page 6. See also Appendix One of the Illegal Pathways report.

[6] See "Illegal Pathways to Illegal Profits," endnote 4, *supra*. The meaning of the main industry euphemisms for smuggled cigarettes are clear from numerous industry documents, including: "With regard to the definition of transit it is essentially the illegal import of brand from Hong Kong, Singapore, Japan etc. upon which no duty has been paid." BAT letter dated 25 August 1989, BAT Bates No. 302000021; and "The imported segment … includes legal imports which accounted for 6.7 bns in 1993 … plus GT imports estimated at 7.6 bns ", January 1995 internal document entitled "Review of Asia-Pacific Market," BAT Bates No. 502628801.

[7] "16 March 1987, Transit Meeting Minutes." Senior marketing executives from BAT were in attendance at this meeting, including Emil Schildt, Russell Howe, David Yellowlees, John Challiss and Chris Reynolds. BAT Bates No. 301713899-901.

[8] Undated (but likely mid-1996) "Secret" internal BAT document on a restructuring of BAT's business operations, BAT Bates No. 503861786-789.

[9] 29 July 1994 "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513214977-5199.

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[10] The use of rather innocuous sounding terminology as a euphemism is very characteristic of the industry's smuggling activities. In BAT's documents "duty not paid" does not mean "duty free" and in RJR's case "tax free" apparently is not the same thing as "duty free" either. The reason for doing so, and the benefit to the industry is clear: Should the document somehow fall into the hands of an outsider, a casual viewing would result in the reader misinterpreting the terminology and leave them failing to ascertain that what was really being discussed is smuggling of illegal contraband.

[11] For instance, in a 29 July 1994 RJR document entitled "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215031, the company refers to:

> "ITC embarking on a monopoly like strategy to control the market:
> - Clamp down on Tax Free
> - Direct Importation from all International suppliers"

[12] See the section titled "Duping the Iranian Government," *infra*.

[13] 29 July 1994 "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215034.

[14] For the tobacco industry's denials of involvement in tobacco smuggling, see "Illegal Pathways," endnote 5, *supra*, at pp. 3-4. Fairly typical is the denial of the U.K.-based Gallaher Tobacco, as stated on 08 November 1998 on the BBC television show *The Money Programme*:

> "We sell cigarettes legally to our distributors in various countries. If people, if those distributors subsequently sell those products on to other people who are going to illegally bring them back into this country, that is something outside of our control …"

[15] 29 July 1994 "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215016.

[16] 29 July 1994 "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215035-5038.

[17] 07 April 1993 letter, Nick Brookes, BAT to Ulrich Herter, BAT, regarding proposed reorganisation of BAT's New Business Development Group, BAT Bates No. 2033469489.

[18] 03 June 1992 Minutes of BAT Tobacco Strategy Group meeting on "New Tobacco Markets," BAT Bates No. 203469395-403.

[19] "Iran Business Plan, 1992-1996," BAT Bates No. 300051641-666.

[20] "Trip Notes - Iran Visit, September 19-24, 1983," Geoff Lee, memo to file with copies to Tommy Sandefur (later B&W president) and Tom Whitehair (later B&W vice president, international), B&W Bates No. 623036990.

[21] "Iran Business Plan, 1992-1996," BAT Bates No. 300051641-666.

[22] See "Tobacco Companies Linked to Criminal Organizations in Cigarette Smuggling: Cyprus and the Middle East," International Consortium of Investigative Journalists, 03 March 2001, www.public-i.org/story_07_030301.htm.

[23] 18 June 1986 memo from Bill Telling, B&W Europe, to W.B. Knable, B&W. BAT Bates No. 204400908.

[24] Various July and August 1988 correspondence between BAT and Mr. S. Varma, IMF. BAT Bates No. 301713775.

[25] Undated "Minutes of BAT Central Asia/BATCo/BATCF/B&W/NBD Meeting held in Tashkent, 10th June 1994," BAT Bates No. 600507731.

[26] October 1990, "Batuke Company Plan 1991-1995, Part 1," BAT Bates No. 301615581.

[27] 15 May 1984 correspondence, Emil Schildt to D. Thorpe, BAT. BAT Bates No. 301713706.

[28] 12 August 1992 internal company note, R.F. Allford describing the August 1992 Moscow visit of Ulrich Herter, BAT managing director. BAT Bates No. 203825723.

[29] BAT documents from 1990 conclude that the large volume production of a cigarette brand "Gulf" by Rothmans Zimbabwe is destined for Iran. BAT Bates No. 301616925.

[30] "Visit to Pakistan, 11 April 1994," BAT Territorial Director Norman Davis, BAT Bates No. 500049701.

[31] 08 March 1994 letter from David Macdonald, B&W Europe, to Joe Green, BAT. BAT Bates No. 503881275.

[32] The use of duty free most dramatically made in an undated, internal BAT document entitled "Company Plan 1994-8: Asia Pacific South/SUTL: Domestic," BAT Bates No. 5000282756. The document states:

> "It is anticipated that supply will continue to be a major problem in Bangladesh during 1994 as experienced in both 1992 and 1993. The basic reasons continue to be as follows:
>
> (a) Increased customs surveillance in Chittagong/Cox's Bazaar.
> (b) Border confrontation between Bangladesh and Myanmar over the Rohinga Muslem refugee crisis …
>
> "During late 1993 and early 1994, SUTL will strive to improve this situation by developing land routes via Myanmar and optimizing duty free leakage"

[33] 26 May 1993 letter from Malcolm Fry, Bangladesh Tobacco (a BAT subsidiary) to Norman Davis, BAT. BAT Bates No. 400657565.

[34] Amongst several others dealing with "umbrella operations," see "Major Tobacco Multinational Implicated In Cigarette Smuggling, Tax Evasion, Documents Show," International

Consortium of Investigative Journalists, 31 January 2000, www.public-i.org/story_01_013100.htm.

[35] Iran Business Plan, 1992-1996, BAT Bates No. 300051641-666.

[36] 29 July 1994 "SBU Middle East/Near East/Africa Business Review and Projects Update," RJR Bates No. 513215035-5038.

[37] "THREE YEAR PLAN 1994 - 1996, PHILIP MORRIS EEMA REGION," PM Bates No. 2500070173."

[38] See "Illegal Pathways," endnote 5, *supra*, especially the section "Smuggling as a Political Strategy" at p. 21 *et seq*.