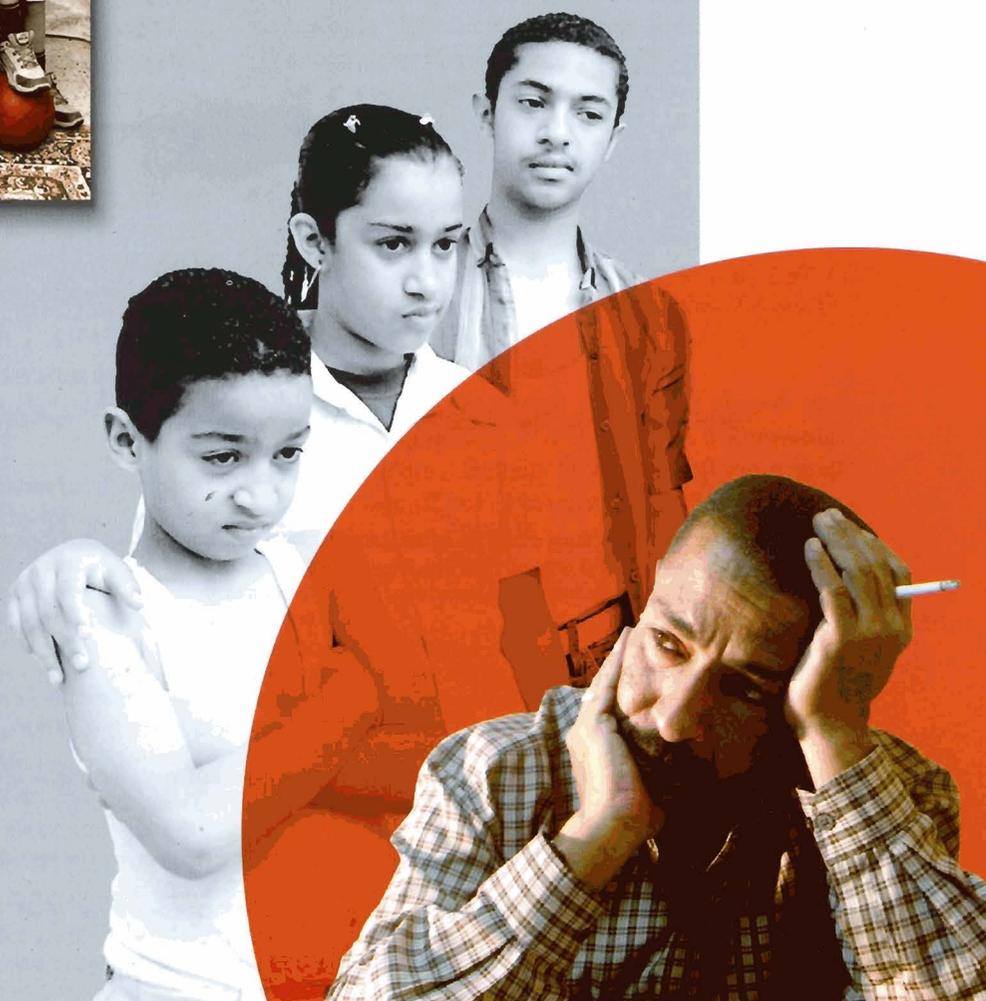
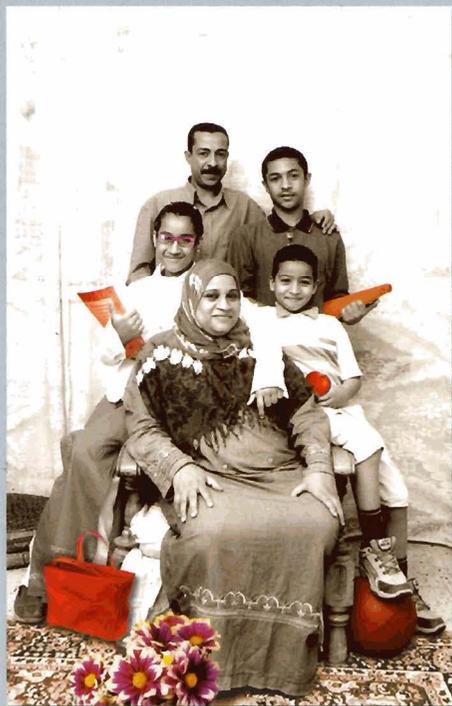


# Behind the scenes: The inherent contradiction behind big tobacco's corporate social responsibility



World Health Organization  
Regional Office for the Eastern Mediterranean

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## Introduction

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Can the tobacco industry be trusted? Can its money play a useful role in funding programmes meant to prevent youth smoking, or advance scientific research?

Under the guise of Corporate Social Responsibility (CSR), the major multinational tobacco companies have recently embarked on a vigorous attempt to redefine themselves as responsible corporate citizens. They have been busy promoting a range of activities meant to show that the industry adheres to the principles of CSR and the development dimensions associated with such responsibility.

But sifting tobacco industry fiction from public health fact is essential to understanding whether these claims are actually true.

British American Tobacco (BAT), for instance, now says it will offer “responsible behavior in an industry that is often seen as controversial”.<sup>1</sup> But it seems somewhat odd that BAT would express its desire to support “soundly based tobacco regulation and reducing the impact of tobacco consumption on public health”.<sup>2</sup> Philip Morris (PM) also recently changed its corporate name to Altria, presumably to distance its other businesses from the negative implications of tobacco.

After all, tobacco is the only consumer product available that kills half of its regular users.

How can tobacco companies reconcile their main aim, to gain a maximum profit by producing and selling a deadly product, with the goals of CSR, or business norms based on ethical values and respect for employees, consumers and the environment?

No credit should be given for admitting that nicotine is addictive, and then saying that it is addictive in the same way the internet or shopping can be. While claiming to have changed their marketing practices, the companies are actually increasing their marketing expenditures, often in ways most effective at reaching youth. The companies are still promoting bogus health campaigns that do not work, and continue to oppose regulation of their product in a manner similar to the regulation of other consumer products.

The business community, consumer groups and the general public should join policy-makers and the public health community in being more vigilant and critical about tobacco companies’ CSR activities, because despite the industry’s claims, there is little evidence of any fundamental change in their objectives or their practices.

No one in the industry has withdrawn earlier false or misleading statements. No one has apologized, resigned or been fired. If history has taught us anything about the tobacco industry, it is that it will change only if it is forced to change, and that change will only come if imposed from the outside.

## Nicotine and addiction

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In 1994, the Chief Executive Officers (CEOs) of the seven largest American tobacco companies all testified that nicotine is not addictive. As the damning evidence came to light, the companies tried to fudge and change the definition of addiction.

But even as early as 1967, a BAT document admitted that, “It may be useful, therefore, to look at the tobacco industry as if for a large part its business is the administration of nicotine (in the clinical sense)”.<sup>1</sup>

A 1980 BAT document said, “We should now move to position B, namely, that we acknowledge the probability that smoking is harmful to a small percentage of heavy smokers ... By giving a little, we may gain a lot. By giving nothing we stand to lose everything”.<sup>1</sup>

Despite all this, one Executive, Imperial CEO Gareth Davis, continued to dismiss 40 years of evidence, saying, “Smoking does not conform to what I see as addictive ... I do not think that we can say that it is safe or unsafe ... [W]e do not know whether it is safe or unsafe”. He added that, “We do not agree that smoking has been shown to be a cause [of certain diseases]”.<sup>1</sup>

Basically, the companies recognize that reducing and/or eventually eliminating nicotine from tobacco products will cause smokers to quit. An RJ Reynolds (RJR) document says, “If, as

proposed above, nicotine is the sine qua non of smoking, and if we meekly accept the allegations of our critics and move towards reduction or elimination of nicotine in our products, then we shall eventually liquidate our business. If we intend to remain in business and our business is the manufacture and sale of dosage forms of nicotine, then at some point we must make a stand".<sup>1</sup>

As for light and low tar cigarettes, these are basically seen by the companies as opportunities to "reassure smokers" and "discourage quitters".<sup>1</sup>

## Youth

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Companies constantly insist that they do not market to young people, while internal documents clearly demonstrate otherwise.<sup>1</sup>

The tobacco industry openly targets young people, positioning cigarettes as a way of emphasizing "individuality" and "A symbolic declaration of personal identity". One document puts the whole thing in clear perspective: "as the force from the psychological symbolism subsides, the pharmacological effect takes over to sustain the habit".<sup>1</sup>

Ineffective youth smoking prevention programmes often have the opposite effect. By portraying smoking as an adult activity, these programmes increase the appeal of cigarettes for adolescents.

In reality, they detract attention from proven, effective solutions, including price and tax increases to which young people are particularly sensitive, and to which tobacco companies are vigorously opposed.

## Education

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The tobacco industry infiltrates universities by providing research grants and donations. 39% of British institutions have received tobacco donations, as have 25% of medical schools. Dr Fernand Turcotte of Laval University said, "Such appointments were scandalous ... The tobacco industry infiltrates the universities in this way because of the prestige associated with these

institutions. It's a way to buy silence and complacency".<sup>2</sup>

## Development

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The cynical nature of the tobacco industry's attitude towards development knows no bounds. Less than a year after an investigation of a Brazilian subsidiary of BAT exposed labour practices, including alleged price control abuses, failure to protect workers from pesticides and other hazardous chemicals and failure to improve conditions where children are forced to work in tobacco fields to help alleviate family debt, the same subsidiary sponsored a concert tour in support of a Brazilian campaign to eliminate hunger.

Despite the link between smoking and cataracts, a major cause of blindness, BAT Bangladesh extended their support to a blindness relief lottery and made a donation to an eye care society in a high profile ceremony at the BAT factory in Dhaka.

In general, the companies look to developing countries as huge potential markets overflowing with youth. They also see them as excellent manufacturing bases where work hours are longer and pay is less. The companies also regard women's emancipation in many parts of the developing world as mainly good for business, and much of their advertising is linked to enforcing that view.

## Media and advertising

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Companies publicly deny the connection between smoking prevalence and tobacco advertising, while internally acknowledging that advertising bans are a threat to tobacco sales.

Tobacco companies like PM have admitted in internal documents that, "if you take away our advertising and sponsorship, you lose most, if not all, of your media and political allies".<sup>1</sup>

They have fought such bans successfully in Ecuador, where after "a mobilization of journalists ... it was vetoed by the President". In Saudi Arabia, tobacco companies used their political

connections to fight a similar ban. In Dubai they conceded the removal of highway billboards in order to “capitalize on the minimum concession as an example of voluntary self-regulation by the industry”.<sup>1</sup>

In Lebanon, PM planned to advertise by branding (assigning their brand name to) the entrances of two major tunnels with Drive Safely statements, in exchange for funding the tunnel lighting systems. They branded pedestrian bridges by paying for their refurbishment; they also planned to introduce a Marlboro clothing line to help counterbalance anti-smoking campaigns.

A former marketing consultant for the industry has said, “How do you sell a poison that kills 350,000 people per year, 1,000 people a day? You do it with the great open spaces ... the mountains, the open places, the lakes coming up the shore. They do it with healthy young people. They do it with athletes. How could a whiff of a cigarette be any harm in a situation like that? It couldn’t be—there’s too much fresh air, too much health—too much absolute exuding of youth and vitality—that’s the way they do it”.<sup>1</sup>

When PM could not be directly involved in a World Cup promotion, it partnered with a newspaper to produce a quality 36-page World Cup Guide. “This approach avoided the legal problem but still achieved our objective of linking the brand to the World Cup”, explained an internal PM document. The same thing happened in Kuwait, where PM teamed up with a sports magazine to produce yet another Marlboro special World Cup Guide. “A total of 260,000 copies of the guide were produced, making it the largest print run for a magazine ... in the Middle East”, boasted an internal PM document.<sup>1</sup>

In Egypt, the industry assumed that since “approximately 90 per cent of the media available is owned by the public sector”, the then draft anti-smoking law would not be implemented fully as the media requires “maximum support in advertising funds to survive and compensate for operating losses”.<sup>3</sup>

The tobacco industry does not hesitate to draw a link between restrictions on tobacco marketing and the possible ramifications of that (in their view) on the media. A clear example of this is a 1994 PM letter to the Egyptian Industry Minister

attempting to pre-empt the bill to ban all forms of tobacco advertising. If this happens, it said, “a significant number of Egyptian daily, weekly, and monthly publications will face bleak futures, and may even be forced to close if they are deprived of such revenues. Those that do survive will face extremely tight budgets. The prospects for the continuation of a vibrant press in Egypt will vanish without substantial government subsidies to compensate for the loss of tobacco advertising revenue”.<sup>3</sup>

(In 2002, the Egyptian parliament adopted Law No. 85 of 2002 that amends and complements the tobacco control legislation No. 52 of 1981, banning all kinds of tobacco advertising.)

The industry also carefully monitors the media. When famous columnist Salah Montasser, in a 29 November 1992 article, accused American tobacco companies of adding “some kind of drug to cigarettes marketed in the 3rd world that causes smokers to become addicted to cigarettes”, PM’s Mark Durst asked Eastern Tobacco Company (ETC) Chairman Mohamed Sadek to “inform the writer of the article, the editor-in-chief of Al-Ahram, as well as the relevant authorities, that none of that is true”.<sup>3</sup>

## **The World Health Organization**

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Tobacco companies assert that their efforts to undermine global tobacco control policy are a product of a past era, and that they now seek to engage in constructive dialogue with the World Health Organization (WHO) and national governments.

And yet their internal documents make clear that they still consider themselves in a “state of war” with the anti-smoking lobby.<sup>1</sup>

There is evidence in formerly confidential tobacco company documents that tobacco companies had made “efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations”.<sup>3</sup>

Their internal documents bluntly call for the “prevent[ion], stop[page] or slow[ing] down of the recommendations of the WHO Experts

Committee's report. We must try to stop the development towards a 3rd world commitment against tobacco. We must get all or at least a substantial part of 3rd world countries committed to our cause", one of the documents says.<sup>1</sup>

This was done by trying to convince policy-makers that anti-smoking campaigns by WHO and other organizations "ignore many of the problems which the 3rd world should be treating as priority ... such as poverty, malnutrition, and housing".<sup>1</sup>

The companies even considered setting up and funding a foundation to "supersede the WHO and its Agencies".<sup>1</sup>

The industry formed the Middle East Working Group (MEWG), which later became the Middle East Tobacco Association (META), "to promote and defend" the companies' interests, carefully monitoring and seeking to undermine the work of public health officials in the Middle East. They enlisted prominent political figures, including an Egyptian member of parliament, a former Arab League Assistant Secretary General and a Kuwaiti Undersecretary for Health.<sup>3</sup>

The industry has always regarded WHO as one of their leading enemies. They aim to "contain, neutralize, reorient" WHO's control initiatives by:

- Staging events to divert attention from public health issues.
- Attempting to reduce budgets.
- Pitting other UN agencies against WHO.
- Seeking to convince developing countries that WHO's tobacco control programme is a "First World" agenda carried out at the expense of the developing world.<sup>3</sup>

## **Smuggling**

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The tobacco industry seems to be an active participant in the global contraband cigarette trade. One third of legal cigarette exports disappear into the contraband market, resulting in US\$ 25 to US\$ 30 billion in government revenue lost to smuggling annually.

Duty Not Paid (DNP), an industry term for contraband, volumes account for 12% of total market sales in Africa and the Middle East. In fact, the choice between using legal or illegal imports to penetrate a specific market is often discussed in internal tobacco industry documents.

Recent European Union (EU) allegations on smuggling into Iraq attracted wide media coverage as they concerned billions of cigarettes exported by an American company to a country under embargo and considered an enemy by the United States government.<sup>4</sup>

The EU allegations on smuggling in Iraq are in line with the well-known methods of the cigarette smuggling scheme:

- Export of billions of cigarettes from major tobacco manufacturers.
- Complex transport routes in order to complicate investigations.
- Offloading and reloading containers and removing marks and numbers from products to prevent their being traced.
- Frequently switched bank accounts to cover up actions.
- Operations led from Switzerland, a country protected by bank secrecy and business privacy laws.
- Offshore companies located in Liechtenstein.
- Use of tax-free havens, such as Mersin in Turkey.

Smuggling is often not caused by high taxes, but by competition between tobacco companies to increase their market share, with the ultimate goal of obtaining official import or production capabilities. The strategy achieved success in the Islamic Republic of Iran in 2002 when the state tobacco authority signed an import and production deal with four cigarette companies in a bid to reduce smuggling.

The way the scheme works is as follows:

- Penetrate the market through illegal imports.
- Weaken the state monopoly by reducing the market share of domestic brands and legal sales.
- Convince authorities to privatize or open the market.
- Authorize the legal import and/or production of foreign brands.
- Stop fuelling the illegal market and take over the market in a legal way.

Tobacco companies should be obliged to determine the final destination of their products at the time of manufacture, and to supply their products only where there is legitimate demand in the intended final market. It is important that responsibility rests with the tobacco manufacturers; the evidence of their role in smuggling is so compelling that the onus should be placed firmly on them to demonstrate correct behaviour. It should be their responsibility to prove that their cigarettes have reached the intended legitimate end markets.

Manufacturers should know in advance to which country they export their cigarettes. Most countries have specific health warnings, tax stamps or markings. These can only be printed or attached at the place of manufacturing. Manufacturers exporting their products should provide information on the country for which the cigarettes are ultimately destined, provide evidence that there is a market for the products in that specific country, have prominent markings of the products which show the destination country, provide the list of all intermediate traders and have covert markings which contain this immediate trade information.

### **Other contradictions**

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In Egypt, as in other countries, the government continues to be a mega producer of cigarettes. Egypt's state monopoly ETC, is the largest manufacturer in the Middle East, producing 0.7% of the world's total cigarette output.

As a result, despite the state's efforts to enact

strong anti-smoking legislation, a contradiction exists in the government's attitude to cigarette consumption. Full-page newspaper ads featuring top state officials and ETC top management are occasionally featured in the press, accompanied by staggering ETC revenue figures and its role in the Egyptian economy.

This situation creates a conflict of interest that raises questions regarding the government's commitment to a stringent long-term anti-smoking campaign.

### **Threats**

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The industry does not pull its punches when it comes to lobbying. An internal PM document from 1987 says, "Let politicians know the downside of anti-activity by identifying a vulnerable candidate, bringing forces to bear to cause him/her to lose the election, then discreetly let other politicians know we have done this".<sup>1</sup>

In Bahrain, PM wrote in 1980 that, "threatening the press was the only way to get them to do something".<sup>1</sup>

Another document says, "The media like the money they make from our advertisements and they are an ally that we can and should exploit".<sup>1</sup>

### **Workplace restrictions**

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Documents also show tobacco company worries about workplace restrictions on smoking. As a result of these restrictions, 1.25 fewer cigarettes per person were being smoked per day. That resulted in "7 million fewer cigarettes smoked each year ... 350 million packs ... [or] \$233 million in [lost] revenue".<sup>1</sup>

As a result, a 1988 PM document indicates that "vast sums of money were being spent to keep the controversy over second hand smoke alive".<sup>1</sup>

All these examples, and many others, make it abundantly clear that the tobacco industry has no real intention of becoming a responsible global corporate citizen—either now, or at any time in the future.

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- <sup>1</sup> Hammond R, Rowell A. *Trust us, we're the tobacco industry*. Campaign for Tobacco Free Kids and Action on Smoking and Health, 2001 (<http://www.ash.org/html/conduct/html/trustus.html>).
- <sup>2</sup> *Tobacco industry and corporate responsibility ... an inherent contradiction*. Geneva, World Health Organization, 2003.
- <sup>3</sup> *The tobacco industry's tactics and plans to undermine control efforts in Egypt and North Africa*. Cairo, World Health Organization, Regional Office for the Eastern Mediterranean, 2003.
- <sup>4</sup> *The cigarette "transit" road to the Islamic Republic of Iran and Iraq: Illicit tobacco trade in the Middle East*. Cairo, World Health Organization, Regional Office for the Eastern Mediterranean, 2003.