



## International Tobacco Sales

By Robert Weissman and Ross Hammond

The human costs of tobacco use are staggering and rising dramatically. Every eight seconds, someone in the world dies from tobacco use—4 million deaths a year. If current trends continue, that number will soar to 10 million by 2030, according to the World Health Organization (WHO), with 70% of those deaths occurring in the third world. Given these figures, over 150 million people will die from tobacco-related diseases over the next 30 years—exceeding the toll from AIDS, automobile accidents, maternal mortality, homicide, and suicide combined.

As the world's biggest cigarette exporter and as home to the world's largest multinational cigarette company, Philip Morris, the United States has a special responsibility to address this catastrophe. Facing declining markets in

developed countries, the U.S. tobacco industry has aggressively expanded overseas, particularly in recently opened markets in Asia, the former Soviet Union, and Eastern Europe, where the bulk of the world's smokers live. Philip Morris now sells more cigarettes abroad than it does in the United States. Philip Morris currently earns half of its cigarette profits overseas, garners almost two-thirds of its tobacco revenues in foreign markets, and sells more than three-quarters of its cigarettes outside the United States. The company's international gains come after two decades of heavy overseas spending to advertise its products, buy

newly privatized cigarette companies, set up joint ventures, and build distribution and sales networks.

Philip Morris is now a truly global company, exporting not only cigarettes but the slick advertising and marketing strategies that successfully addicted generations of people in the United States. The tobacco multinationals hook kids and unsuspecting adults—especially women—around the world on tobacco by using exactly the sorts of promotional and marketing techniques that have largely been abandoned or outlawed in the United States—free cigarette giveaways, television advertising, promotional t-shirts and hats, sporting events and rock music concert sponsorships, etc. Other than laws of general proscription, such as those prohibiting bribery, there are no U.S. laws or regulations specifically governing the overseas activities of Big Tobacco.

In fact, multinational cigarette companies like Philip Morris have long relied on the U.S. government to help

them promote smoking overseas. Official U.S. promotion of tobacco exports to developing countries started in earnest after World War II. Under the guise of providing assistance to needy countries, the federal government's Food for Peace program shipped hundreds of millions of dollars worth of tobacco to developing countries until the end of the 1970s. In the 1980s, the Office of the U.S. Trade Representative (USTR), working hand-in-glove with U.S. cigarette companies, used the threat of trade sanctions to pry open key markets in Japan, Taiwan, South Korea, and Thailand. The Thai case went to the General Agreement on Tariffs and Trade (GATT), where a trade panel stated that Thailand must open its tobacco market but—in a rare move for the trade body—it also said that Thailand could maintain stringent health regulations. How that decision will impact potential future trade and tobacco decisions at the GATT's successor, the World Trade Organization (WTO), is unclear.

The Clinton administration ended the Reagan/Bush practice of using trade threats to force open markets to the U.S. tobacco industry. But the U.S.-China treaty that preceded the granting of Permanent Normal Trade Relations (PNTR) to China included a provision requiring China to slash its tariffs on imported cigarettes.

Wherever U.S. cigarettes go, teen smoking rates rise, especially among girls. The opening of Asian markets to U.S. cigarettes escalated Asian smoking rates 10% above what they would have been, according to one econometric study. Price competition and advertising were largely responsible for this rise. With the long lag time between increases in smoking prevalence and smoking-related mortality and morbidity, these countries will experience severe and growing economic and human losses for some time to come.

In 1999, member states of the World Health Organization unanimously agreed to launch negotiations on a global tobacco treaty. The Framework Convention on Tobacco Control (FCTC), as this treaty will be called, represents a historic effort by the international community to promote a coordinated international response to one of the most deadly epidemics of our time. The negotiation and implementation of the FCTC could make an enormous contribution to stemming the growth of the global tobacco epidemic by fostering multilateral cooperation on aspects of tobacco control that transcend national boundaries, such as tobacco smuggling and the global marketing of tobacco products. The FCTC process could also raise awareness, as well as mobilize technical and financial resources, for effective national tobacco control measures that would help rein in Big Tobacco. Unwilling to cooperate in this global health effort, the tobacco industry is trying to undermine the negotiations by lobbying developing country governments and spreading misinformation.

### Key Points

- Tobacco use is a growing global epidemic, hitting the third world, Eastern Europe, and the former Soviet Union the hardest. Ten million people will die each year from tobacco-related diseases by 2030.
- The U.S. government has long assisted the international expansion of U.S. tobacco multinationals through promotional trade policies and tolerance of double standards in industry behavior.
- Negotiations on a global tobacco treaty could help rein in Big Tobacco's global expansion.

# Problems with Current U.S. Policy

In a variety of ways, current U.S. policy fails to restrain the operations of U.S. tobacco multinationals or to promote international tobacco control. In 1997, Congress passed the Doggett Amendment, which banned the use of government monies from the Commerce, Justice, and State Departments to promote the sale or export of tobacco overseas or to seek the removal of any nondiscriminatory foreign-country restrictions on tobacco marketing. Early in 1998, after considerable delay, the Clinton administration issued a directive to U.S. embassies to implement the law. Although a positive step forward, this weak amendment is subject to annual renewal, does not cover all federal agencies, and leaves compliance responsibility in the hands of agencies (such as the USTR) that have historically been oblivious or antagonistic to public health concerns.

Meanwhile, the Clinton administration insisted that China open its market to foreign tobacco imports as one condition in its 1999 bilateral trade negotiations with China, despite the concerns of public health groups that such an opening could lead to hundreds of thousands of additional tobacco-related deaths in China. Smoking rates among Chinese men are already astronomical; opening the market to U.S. and other multinational tobacco companies will likely induce a surge in smoking rates among Chinese women, very few of whom currently smoke.

Domestically, U.S. tobacco companies have historically operated in a deregulated environment. One of the few regulations, the Cigarette Labeling Act, has actually protected the industry by providing it with a defense in lawsuits (the warning labels, which are of little value, prevent plaintiffs from claiming they did not know about the dangers of smoking). The tobacco companies accepted some national controls on their operations in 1998, when they agreed to settle lawsuits brought against them by the U.S. states. This compromise, known as the Master Settlement Agreement (MSA), imposes certain limitations on Big Tobacco's marketing techniques. The restrictions—on the companies that signed the settlement—include: a ban on cigarette advertising on billboards; an end to the use of cartoons to promote tobacco; a ban on t-shirts, hats, and apparel bearing a tobacco product name; limits on athletic and music sponsorships; a prohibition on free samples to underage consumers; and a ban on packs fewer than 20 cigarettes (which are more affordable for kids).

The terms of the MSA do not apply overseas, however, where U.S. tobacco companies have been much more brazen about luring youth into tobacco addiction and where the companies are often free to engage in the

most shameless marketing tactics, such as cigarette giveaways featuring scantily clad women who seductively light cigarettes in the mouths of teenage boys. The industry's slick promotional strategies work especially well with unwary consumers who are less overrun with commercialism. The tobacco multinationals' promotions explicitly link cigarettes with perceived American values of sophistication, freedom, and "hipness."

The impact of the entry of U.S. tobacco pushers into a new market can be shocking. After South Korea opened its market to U.S. companies in 1988, for example, the smoking rate among male Korean teens rose from 18.4% to 29.8% in a single year. The rate among female teens more than quintupled from 1.6% to 8.7%.

Overseas, concerned governments and nongovernmental organizations (NGOs) often lack the resources to fight the predations of the tobacco industry, which uses its significant economic and political clout to fight advertising restrictions, fund political parties, sponsor bogus research, and obscure the truth about the health effects of smoking. The U.S. government has been of little help in this area, providing scant funding to WHO's international tobacco control efforts and absolutely no funding to NGOs who monitor Big Tobacco overseas. Although Washington has engaged in some technical assistance programs with countries such as China, these programs are dwarfed by the USTR's market opening efforts.

Even before formal negotiations on the Framework Convention have begun, there are troubling signs that the U.S. government may push for a weak convention, consisting of little more than platitudes on the harms caused by tobacco along with a few technical assistance provisions. Although the Department of Health and Human Services is supposed to be the lead U.S. agency in the negotiations, it has so far deferred to the State and Commerce Departments, which are much more sympathetic to business interests. The administration has also been lukewarm about opening up the negotiations to NGO participation, as has been common practice in other UN negotiations.

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## Key Problems

- The Clinton administration continues to promote tobacco interests abroad, both directly and indirectly, through actions such as its opening of China's market to tobacco multinationals.
  - The U.S. government does not apply the same marketing standards and other regulations to the overseas operations of U.S. tobacco companies as it does to their domestic operations.
  - Washington has provided meager funding for global tobacco control efforts and has failed to show leadership in current global tobacco negotiations.
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# Toward a New Foreign Policy

The Doggett Amendment is important for barring heinous assaults on countries' tobacco control regulations. It should be made permanent law, so that it no longer requires annual renewal. Even if made law, however, the Doggett Amendment needs strengthening. It currently allows the U.S. government to challenge other countries' tobacco control measures if they appear to

discriminate against U.S. companies. Yet other countries often must impose such controls to significantly reduce smoking rates. The World Bank has recently reiterated the finding that opening developing markets to multinational tobacco companies is associated with a 10% increase in smoking rates. U.S. policy should prohibit the inclusion of tobacco in new bilateral trade agreements, so that countries can have the options of either blocking the entrance of U.S. and foreign brands or taxing them heavily.

More affirmative measures are required, as well. U.S. tobacco companies, primarily Philip Morris, should be required to

meet the same minimal marketing, labeling, promotional, and performance standards in their overseas operations as they must in the U.S. market. The U.S. government also should increase its funding of international tobacco control activities to a level commensurate

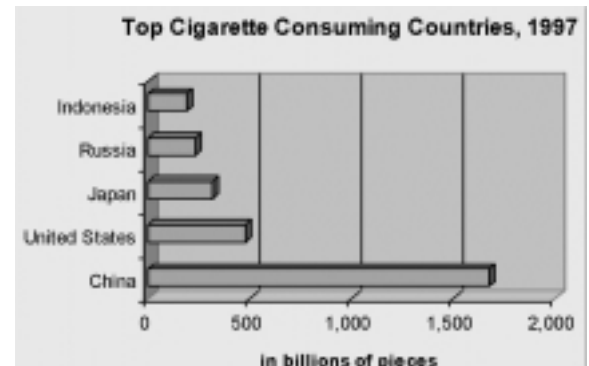
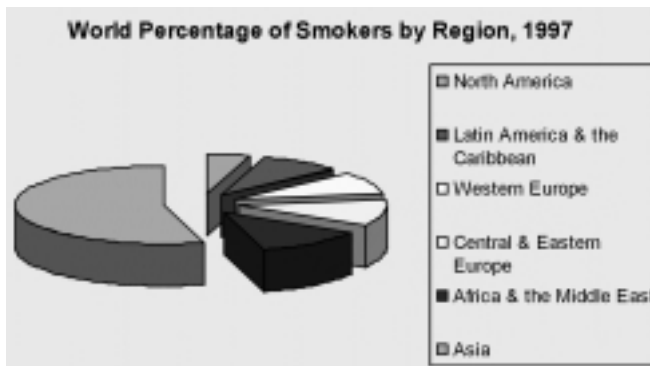
with the harm being caused by tobacco. This funding should go to the WHO—which has been reinvigorated since former Norwegian Prime Minister Dr. Gro Harlem Brundtland became director-general in 1998 and made tobacco a top priority—to foreign NGOs, and to the U.S. Department of Health and Human Services. Imposing a special licensing fee on tobacco companies or earmarking a portion of new tobacco taxes for international tobacco control would secure funds for this effort without requiring annual debates over funding levels.

Finally, the United States needs to display strong leadership in the negotiations regarding the Framework Convention on Tobacco Control or at least not function as an impediment to an agreement on a strong convention. The convention should set a global floor for national tobacco control efforts while in no way preventing countries from adopting measures that go beyond what is in the FCTC. A strong and enforceable convention is needed to hold tobacco companies accountable for their actions, and the FCTC and its protocols should include binding measures in areas such as advertising/promotion and smuggling. The tobacco companies must be barred from any role in the negotiation or implementation of the treaty, and NGOs should be fully included in these processes.

*Robert Weissman is a codirector of Washington-based Essential Action and the editor of Multinational Monitor; Ross Hammond is a San Francisco-based economist.*

## Key Recommendations

- Prohibit the U.S. government from promoting tobacco interests abroad, challenging other countries' tobacco control regulations or demanding "free trade" in tobacco.
- Apply a single regulatory standard—both in the United States and abroad—to U.S. tobacco companies' marketing, labels, and products.
- Provide more funding to the WHO and foreign NGOs for tobacco control activities and play a more constructive role in negotiations on the Framework Convention on Tobacco Control.



Source: 11th World Conference on Tobacco OR Health, at <http://tobaccofreekids.org/campaign/global/docs/facts.pdf>

### In Profile:

#### Phillip Morris

- Phillip Morris is one of the three largest multinational cigarette companies in the world (along with Japan Tobacco and British American Tobacco); now each owns or leases plants in at least 40 countries.
- Between 1988 and 1989, Phillip Morris' international Tobacco revenues increased 226% to \$27.4 billion, while profits from those sales rose 400% to \$5.05 billion. During the same period in the United States, the company's tobacco revenues increased 107% to \$19.6 billion, while profits increased by 40% to \$5 billion.
- In 1999, Phillip Morris Chairman Geoffrey Bible collected \$20.6 million in salary, bonuses and stock options.

# Sources for More Information

## Organizations

### Advocacy Institute

1629 K Street NW, Suite 200  
 Washington, DC 20006-1629  
 Voice: (202) 777-7575  
 Fax: (202) 777-7577  
 Website: <http://www.advocacy.org/tobacco.htm>

### Campaign for Tobacco-Free Kids

1707 L Street NW, Suite 800  
 Washington, DC 20036  
 Voice: (202) 296-5469  
 Fax: (202) 296-5427  
 Website: <http://tobaccofreekids.org/campaign/global/>

### Essential Action

Box 19405  
 Washington, DC 20036  
 Voice: (202) 387-8030  
 Fax: (202) 234-5176  
 Website: <http://www.essential.org/action/>

### INFACIT

256 Hanover Street  
 Boston, MA 02113  
 Voice: (617) 742-4583  
 Fax: (617) 367-0191  
 Website: <http://www.infact.org/>

### San Francisco Tobacco Free Coalition

c/o SF Department of Public Health  
 1540 Market Street, Suite 250  
 San Francisco, CA 94102  
 Voice: (415) 554-9154  
 Fax: (415) 241-0484  
 Website: <http://sftfc.globalink.org/>

## Publications

John Bloom, "International Interests in U.S. Tobacco Legislation," *Health Science Analysis Project* (Washington: Advocacy Institute, 1998): <http://scarcnet.org/hsap/international.htm>.

Ross Hammond, "Addicted to Profit: Big Tobacco's Expanding Global Reach" (Washington: Essential Action/SF Tobacco-Free Coalition, 1998): <http://www.essentialaction.org/addicted/addicted.html>.

Richard Kluger, *Ashes to Ashes: America's Hundred Year Cigarette War, the Public Health and the Unabashed Triumph of Philip Morris* (New York: Vintage Books, 1997).

*Multinational Monitor*, July/August 1997  
 Available at: <http://www.essential.org/monitor/>.

## Websites

**Campaign for Tobacco-Free Kids' Global Initiatives Website**  
<http://tobaccofreekids.org/campaign/global/>

### International Tobacco Listserv

<http://lists.essential.org/mailman/listinfo/intl-tobacco/>

### Tobacco News and Analysis

<http://www.tobacco.org/>

### World Health Organization's Tobacco-Free Initiative

<http://www.who.int/toh/>

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