

# The Guardian

## How tobacco industry donations cloud debates over cigarette controls

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Smoking kills more than 27,200 Malaysians every year.

In March 2017, Malaysia's health ministry hoped to reduce that grim tally by floating a plan to sharply increase cigarettes taxes as recommended by the World Health Organization (WHO), and proposed by the deputy health minister, Dr Hilmi Yahaya, in the nation's legislature.

The plan would increase the price of a pack from £3.17 (\$4.11) to £3.91 (\$5.06), a significant hike of 23% – and exactly the kind of move proven to cut smoking and related illness and death, experts said.

But not everyone thought this was a good idea.

Opponents included a politically-connected thinktank called the Institute for Democracy and Economic Affairs (Ideas), a partner of the Atlas Network, a global network of free-market advocacy groups based in Arlington, Virginia, near Washington DC.

Then executive director Wan Saiful Wan Jan warned that while the health department had “good intentions”, “their proposed solution is wrong because it will only encourage illegal activities without reducing the number of smokers”. The thinktank argued in a statement that “one out of every two packs” of Malaysian cigarettes are smuggled and a tax increase would feed the black market.

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The thinktank accepted donations from Philip Morris Singapore, Philip Morris Malaysia and Japan Tobacco International alongside money from the American, British and Canadian governments, according to financial disclosures by the thinktank.

The proposal to increase taxes was dropped after just 10 days. But Ideas continued to advocate against tax hikes for months afterward, issuing statements, opinion pieces and two lengthy reports which used data paid for by tobacco companies to conclude taxes would fuel a black market.

“The obvious question is: why the sudden keen interest in tobacco control?” said Mary Assunta, senior policy adviser for the Southeast Asia Tobacco Control Alliance (Seatca). “[It] coincides with when it starting receiving funds from transnational tobacco companies.

“Ideas is a high-profile thinktank in Malaysia, and the tobacco industry selection of Ideas to front its position is consistent with its strategy seen in other countries,” said Assunta. “A 2014 Philip Morris International (PMI) strategy to counter the WHO Framework Convention on Tobacco Control states it should find ‘allies that cannot be ignored’, and Ideas fits this criteria in Malaysia.”

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#### **Mary Assunta, senior policy adviser for Seatca**

The argument that taxes would fuel a black market remains one of the tobacco industry’s most powerful tactics to dissuade government’s from increasing “sin taxes”. The US surgeon general, WHO and World Bank all support increased tobacco taxes. Anti-tobacco advocates the Campaign for Tobacco-Free Kids has said companies “exaggerate” how tobacco taxes impact smuggling to “scare policymakers from taking science-based steps to reduce tobacco use”.

Patricio Marquez, lead specialist on health, nutrition and population at the World Bank, said: “One of the key ingredients of the influence to this process is to generate evidence to support the claims that tobacco taxation is regressive, it is going to affect the poor, that it will erode the tax base because you will have less smokers, therefore less people to tax, and you will be inundated by smuggling.

“In order to set that story you need to have data, you need to engage reputable organizations.”

#### Quick guide

What are key debates in tobacco control?

Ideas said the group follows “a strict policy of editorial independence”, and “thus no donations influence our research and analytical outputs”. The group also said it has disclosed its tobacco industry funding in annual financials published on its website.

“Ideas is perhaps the only civil society organization in Malaysia which maintains this level of transparency. In these financial records, the names of tobacco firms are clearly mentioned and we have never denied this,” it said.

PMI told the Guardian: “We have worked, and will continue to work, with carefully selected organizations around the world who share our desire to promote policies that produce meaningful public health improvements. It is absolutely ridiculous to imply that supporting an organization would result in a group taking action they otherwise would fundamentally oppose.

“Claims that our contributions to organizations committed to advancing positive change in public health create a conflict of interest cannot withstand any reasonable scrutiny, are irrational, and wrong. Ideas are not for sale.”

Japan Tobacco International said: “Various groups across the world share our view that any regulation, tobacco-related or not, if untested and unproven, could have seriously negative knock-on effects.” The company continued: “It is clear to everyone that there are health risks associated with smoking – we are fully transparent about this. And, as such, it is important that tobacco products are regulated.”

British American Tobacco (BAT) said the company supports “like-minded organisations on issues that are important to our business and our consumers”.

“We support evidence-based regulation that is consultative in its development, delivers its policy aims, factors in potential unintended consequences, and respects our legal rights as a legal business selling a legal product,” said Simon Cleverly, head of corporate affairs at BAT. “We believe publicly elected officials should be allowed to hear all sides of any debate when formulating policy and should be trusted to make informed decisions once they have heard and considered all the arguments.”

Altria, the American maker of Marlboro cigarettes, said: “Like most major corporations, Altria and its companies support and are members of policy-oriented organizations focused on issues that affect our business ... We develop and maintain partnerships with third-party organizations on issues important to our companies and that independently research, communicate and advocate on those issues.”

### **‘Look deeper’**

A little over a week after Malaysia’s health minister proposed a tobacco tax increase, Malaysia’s finance minister quashed it. He had met with the Confederation of Malaysian Tobacco Manufacturers, an editorial in the Malaysian newspaper New Strait Times reported. No tobacco tax hike would go forward, the finance minister said, citing the threat of smuggling.

Threats of smuggling became a potent data point for opponents of the tax hike. The same day Ideas made a statement which opposed a tax hike, the Confederation of Malaysian Tobacco Manufacturers argued the government would lose money on the venture.

“At 57.1% of market share, illegal cigarettes are a national issue,” Guilherme Silva, managing director of Japan Tobacco International in Malaysia, told Edge Markets. A tax increase would be a “no-win situation for all parties – the ministry of health on its commitment to reduce consumption, the ministry of finance on its tax collection and the legitimate tobacco industry on its sustainability”.

Two reports backed up the cigarette manufacturers’ position. One from Nielsen showed 57.1% of the country’s cigarettes were smuggled. Another, from the consultancy group Oxford Economics, found 52.3% of Malaysian cigarettes were illicit. Both were funded by the tobacco industry.

Estimates from the market research firm Euromonitor International in 2016 put the level of smuggling in Malaysia closer to 35%.

“When a group or a consultant uses certain familiar buzzwords and pushes anti-health proposals, look deeper, and you will find the link to the tobacco industry,” said Assunta, citing especially “illicit trade”.

The Nielsen report, though widely cited by Malaysian media, is not publicly available. When the Guardian asked Nielsen for a copy, Nielsen referred the Guardian to the Confederation of Malaysian Tobacco Manufacturers. Nielsen, a spokesperson said, was “not able to share it”. The

second report, by Oxford Economics, was paid for by Philip Morris International Management, one of PMI's affiliates in Switzerland.

Ideas repeated figures from the two reports in press statements, amplifying their funders' conclusions and calling Malaysia a "breeding ground" for illicit trade.

When asked about the use of two industry-backed reports used to support its research, Ideas told the Guardian: "We did not consider this of relevance."

The tobacco industry also had links to the experts who authored the Ideas reports and other thinktanks Ideas relied on for data. The author of one Ideas report was a senior fellow at the Cato Institute, a free-market thinktank based in Washington DC which has repeatedly accepted donations from cigarette manufacturers and argued against regulation.

Another report cited data from the Mackinac Center, yet another free-market thinktank which accepted tobacco industry funding, this time based in Michigan. Their findings were criticized in a US government analysis which found "some systemic bias in the estimates" that were "likely overstating tax evasion".

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Julia Smith, an associate researcher at Simon Fraser University's Global Tobacco Research Programme, said: "We've seen in Canada the tobacco companies using research from thinktanks they have funded to support their arguments and submissions to governments around plain packaging or the illicit tobacco trade."

Ideas responded: "There are multiple approaches to reduce public health harms including controls. Ideas has taken this view that government control measures alone cannot reduce tobacco usage and has encouraged to consider harm reduction approach." The group also said it believes "we need to align with the private sector to end smoking".

#### International

In countries such as Chile, Ghana, Australia, Nigeria and in Hong Kong, free-market thinktanks received funding from western embassies as they argued against the same tobacco controls those countries had in place.

In Ghana, the Imani Centre for Policy and Education, one of Africa's most recognizable thinktanks, has vigorously opposed plain packaging, cigarette taxes and a proposed indoor smoking ban. The executive director of Imani wrote an editorial arguing the link between smoking and lung cancer "is yet to be empirically established". (Imani told the Guardian the group "no longer holds this position".)

The group's advocacy against tobacco control measures is so strong that Ghana's health department cited local advocates who described Imani as a group that "fronts for the tobacco industry" in progress reports submitted to the WHO.

Africa has the lowest number of tobacco deaths of any continent; however, its burgeoning economy and large proportion of young people has made it a target as the industry seeks to grow.

"They have registered themselves as a very influential thinktank," said George Kingston, an anti-tobacco campaigner in Ghana.

The Guardian could not find information on Imani's funding. A 2015 report from transparency watchdogs Transparify rated the group one of the most opaque in Africa.

In response to questions from the Guardian, Imani said it accepted donations from tobacco companies, "probably four years ago for our general advocacy programs". The group also said Transparify "did a totally shoddy job" when it called the group opaque.

"We have always made our funding sources available," the group said, and listed the Danish government, the African arm of the Open Society Foundations run by billionaire George Soros, the Atlas Network and the Ford Foundation as its primary funders. As well, the group said it did not receive funding to oppose tobacco controls, but would continue to be a "happy recipient" of donations for its general fund, "UNLESS AND UNTIL TOBACCO IS BANNED IN GHANA!!!! [sic]".

The same year it was rated highly opaque by Transparify, Imani became a key partner of a major foreign aid effort by the Danish government, and will receive "core funding" through 2018.

In Hong Kong, where smoking has nearly halved since the 1980s as tobacco control measures went into place, a local free-market thinktank called the Lion Rock Institute opposed multiple tobacco control measures.

Lion Rock told the Guardian, their opposition to tobacco controls "stems from the same belief those who support abortion rights or voluntary euthanasia shares. The sovereignty over one's own body. We simply want smokers to have a right to kill themselves with dignity."

In Chile, lawmakers aligned with the influential thinktank Libertad y Desarrollo slowed walked the legislation. Journalists later discovered Libertad y Desarrollo received donations from BAT at the time the bill was being considered.

One of Libertad y Desarrollo's founders, Carlos F Cáceres, was named president of British American Tobacco Chile in 2014. Cesares heads the Libertad y Desarrollo advisory council, according to the group's website. Libertad y Desarrollo did not respond to the Guardian's request for comment.

## **United States**

While Altria Client Services donated to thinktanks across the US, at least 14 free-market thinktanks commented in favor of a new product produced by the company's former owner, PMI.

Thinktanks told the US Food and Drug Administration (FDA) that PMI did "a great job" in its application and said regulators would stifle "innovation" if they did not approve the new product, called IQOS. The device heats tobacco but does not burn it, which cigarette companies argue makes the product safer and can help people quit.

Groups including the Heritage Foundation, Americans for Tax Reform, Americans for Prosperity Foundation, FreedomWorks and TechFreedom all commented in favor of the product or urged regulators to approve the product for sale in testimony.

For example, in 2017, the same year Independent Women's Forum received a donation from Altria, the group testified the FDA would "punish women" if it did not approve IQOS because, the group argued, it is biologically more difficult for women to quit smoking.

The same year, Heritage called on Congress to, “stop blocking alternatives” to smoking, and testified to the FDA that IQOS had an “impressive record”.

## **Australia**

Thinktanks also proved to be some of the loudest voices against a landmark anti-tobacco law in Australia, which became the world’s first country to remove branding from cigarette packs.

In 2010, when Australia’s law was proposed, the American Legislative Exchange Council sent a letter directly to Australia’s treasury. Alec, as the group is called in the US, is known mostly for circulating model legislation among state legislatures.

In this letter, Alec warned Australian officials the laws would “amount to a government seizure of trademark”.

In 2011, after the law was passed, Alec publicly opposed its implementation.

Philip Morris went on to sue Australia under those same international trade laws.

Australia defended its law against a suit from Philip Morris, brought under a bilateral trade agreement with Hong Kong. Australia triumphed in 2015, but it cost Australian taxpayers \$39m to defend.

Between 1995 and 2010, Alec accepted more than \$1.4m in support from the tobacco industry, according to tobacco company documents reported by PR Watch.

Alec did not respond to multiple requests for comment.