



ITIC: A Foundation Directly Sponsored by Transnational Tobacco Companies

- The International Tax and Investment Center (ITIC) is a U.S.-based non-profit research and education organization headquartered in Washington, D.C. ITIC describes itself as an independent clearinghouse for best practices in taxation and investment policy that provides “its sponsors a seat at the policymaking table.”
- ITIC’s main sponsors are large multinational corporations from the oil, alcohol and tobacco industries. ITIC’s sponsors include all of the leading transnational tobacco companies, and its Board of Directors includes representatives from BAT, PMI, JTI and Imperial Tobacco.ⁱ
- Internal tobacco industry documents made public through U.S.-based litigation settlements in 1998 disclose that ITIC has long played a role in facilitating the tobacco industry’s access to government officials. For example, a 1997 internal R.J. Reynolds memo describes ITIC’s role in assisting RJR and PMI in favourable tax reform in Russia.ⁱⁱ
- ITIC provides advice to governments on tobacco tax issues. They hold workshops and meetings and provide technical advice through paid experts. They sponsor reports on illicit trade, producing illicit trade estimates with poorly defined methodology and often exaggerated rates of illicit trade. ITIC uses their workshops, contacts and research to push for tax systems and rates that benefit the industry over public health.

Examples of ITIC Tobacco Work:

- *Pro-Tobacco Policy Events:* ITIC has hosted conferences and seminars with government officials on tobacco taxation and illicit trade around the world. Representatives from the tobacco industry are often present and participate in these events.
- *Pro-Tobacco Technical Assistance:* In 2013, ITIC signed a Memorandum of Understanding with the Eurasian Economic Commission, the regulatory body of the Customs Union of Russia, Belarus and Kazakhstan, to provide information in the areas of tax policy and administration, and organize consultations, seminars, conferences, forums, and roundtable discussions. Tobacco control partners have indicated that the Eurasian Economic Commission is currently considering a tobacco tax harmonization proposal that would leave prices of tobacco products in the region among the lowest in the world.
- *Pro-Tobacco Research:* ITIC funds and published reports funded by the tobacco industry. Since 2013 alone, ITIC has published at least five reports for which it received input, data and financial support from the tobacco industry including: *Are Earmarked Taxes on Alcohol and Tobacco a Good Idea? Evidence from Asia*, *The Risks of Excessive Cigarette Taxation: Warnings for Australia*, *The Illicit Trade in Tobacco Products and How to Tackle It*, *Asia-11 Illicit Tobacco Indicator 2012*, and *Asia-11 Illicit Tobacco Indicator 2013: Update for the Philippines*. In addition, ITIC has published bulletins covering tobacco taxation in Africa, Eurasia, Southeast Asia, Lithuania, Singapore, Thailand, and Vietnam.ⁱⁱⁱ
- *Pro-Tobacco Media Outreach:* ITIC publications on illicit trade are cited by media sources, and ITIC experts, including ITIC’s president, provide media interviews and author opinion pieces.

Recent Activities:

- *Exaggerating Illicit Trade:* At an event on illicit trade hosted by the U.S. Chamber of Commerce in Panama City in March, ITIC claimed that 84% of cigarettes sold in Panama are illicit^{iv}, more than double the estimates made by two credible independent studies, which reported illicit trade between 28% and 36% in Panama.^v
- *Attacking Sponsors’ Competitors:* In June, 2014 ITIC released a PMI commissioned study on illicit tobacco in the Philippines, which claimed that illicit domestic cigarette consumption increased significantly from 2012 to 2013 after

a 2013 tax increase. The report argued that the tax increase triggered a large loss in government revenue, even though government figures show large increases in tax revenue.^{vi} In the media, PMI's local subsidiary, Philip Morris Fortune Tobacco Corp used the report as a part of efforts to claim its competitor, Mighty Corp, was evading taxes.^{vii, viii}

- **Poor Methodology:** In September 2013, the Tax Investment Center and Oxford Economics released a report estimating the extent of illicit cigarette consumption in 11 selected Asian countries.^{ix} The report, funded by Philip Morris Asia, an affiliate of Philip Morris International, used potentially biased data provided by the tobacco industry and less than transparent research methods.

i ITIC Website. Accessed 2014 September 8. Available <http://www.iticnet.org/about/board-of-directors>

ii Griscom TC. Following are Highlights of May External Relations Activities and Issues Worldwide. Bates No: 525195828/5838. Accessed on February 19, 2014. Available from: <http://legacy.library.ucsf.edu/tid/cal93a00>.

iii International Tax and Investment Center. Publications. 2014. Available from: <http://www.iticnet.org/publications/bulletins>

iv Capital Finacuero. 84% del comercio de cigarillos en Panamá es ilícito. 2014. Available from: <http://www.capital.com.pa/84-del-comercio-de-cigarrillos-en-panama-es-ilicito/>

v Ministry de Salud, Panama. Global Adult Tobacco Survey, Panama 2013. Available from: http://www.paho.org/hq/index.php?option=com_docman&task=doc_view&gid=24644&Itemid=

vi International Tax and Investment Center & Oxford Economics. *Asia-11: Illicit Tobacco Indicator- 2013 Update for the Philippines*. 2014. Oxford: Oxford Economics..

vii Rodriguez JC. Philippines lost nearly P16-B on illegal cigarette sales in 2013- study. ABS-CBNews.com. 2014 June 5. Available from: <http://www.abs-cbnnews.com/business/06/05/14/philippines-loses-nearly-p16-b-illegal-cigarette-sales-study>

viii Castro R. Philip Morris Fortune Tobacco asks gov't to adopt tax stamp scheme. 2014 July 31. Available from: <http://www.interaksyon.com/business/92353/philip-morris-fortune-tobacco-asks-govt-to-adopt-tax-stamp-scheme>

ix International Tax and Investment Center and Oxford Economics (2013). *Asia-11 Illicit Tobacco Indicator for 2012*. Oxford: Oxford Economics.