



International Tax and Investment Center

The International Tax and Investment Center (ITIC) was founded in 1993. It claims to be an independent, nonprofit research and education foundation.^[1] ITIC has offices in Azerbaijan, Kazakhstan, the Philippines, Russia, Ukraine, the United Kingdom and the United States and works in many more countries around the world. Two years after its inception, ITIC reported that its principle asset was in providing its sponsors “a seat at the policy-making table.”^[2]

ITIC is funded by major multinational corporations including all of the leading transnational tobacco companies (TTCs): [Philip Morris \(PMI\)](#), [Japan Tobacco International \(JTI\)](#), [British American Tobacco \(BAT\)](#), and [Imperial Tobacco](#).^[3] Its Board of Directors includes representatives from each of these companies.^[4] In the past, ITIC has lobbied against tax policies on tobacco and on tackling the illicit trade in tobacco (see [International Tax and Investment Center - A History of Tobacco Industry Facilitation](#)). More recently, the Center's research has been cited in the debate around [plain packaging](#) (see below).

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Meetings with Governments - At Odds with 5.3?

Evidence shows that ITIC has been meeting with and advising high-level government representatives worldwide,^[5] including:

- In 2008, in the Ukraine, ITIC representatives worked closely with the Ukrainian Tax Committee, advising them to model tobacco tax rates after Russia, a country with a high smuggling rate.^[6]
- Also in Ukraine in 2008, ITIC advised the government on operation and customs control of duty free retail outlets. ITIC published reports on tobacco taxation, including one report in Eastern Europe urging that accession countries be given a longer time to implement tax increases to make sure that tobacco remains "affordable" and another report criticising the World Bank's work on tobacco.^[7]

The Center has also sponsored conferences on tobacco tax policy including a 2008 seminar on Eastern European tobacco taxation in Hungary, where 40 government officials from new EU member states attended.^[8]

Facilitating meetings and conferences which give the industry undue access to policymakers and government officials and thereby the opportunity to influence policy, directly contravenes Article 5.3 of the World Health Organisation (WHO) [Framework Convention on Tobacco Control](#) (FCTC). Article 5.3 strongly advises that public policy should be free from tobacco industry influence.^[9]

Against the TPD

The meetings ITIC facilitated for the industry have been used to lobby against further regulation of tobacco and smoking, such as the [\[\[EU Tobacco Products Directive Revision\]](#) EU Tobacco Products Directive (TPD):

- In 2009, ITIC received additional funding from [BAT](#), [JTI](#) and [Philip Morris](#) for a conference on tobacco

smuggling. The conference, called “Anti-Illicit trade of tobacco products”, was held from the 4-6 November in Brussels. ITIC representatives spoke, along with speakers from the EU Anti-Fraud Office ([OLAF](#)), and other law enforcement agencies. The November meeting was chaired by Elizabeth Allen, who retired from British Customs in March 2009.^[10]

- In May 2011, the [Kangaroo Group](#) hosted a Forum on Intellectual Property, Counterfeiting and Piracy, which was addressed by ITIC president Daniel Witt. The Kangaroo Group, based in Brussels, is a business lobby association comprising of representatives of the European Parliament, Commission and Council, Academia, Media and the Business Community.^[11] Its members include: [JTI](#), [Philip Morris](#), [BAT](#) and [Imperial Tobacco](#) as well as the [Confederation of European Community Cigarette Manufacturers](#) (CECCM).^[12] During his address, Witt reiterated the industry position by arguing that measures such as the introduction of plain packaging for tobacco products “should be carefully looked at on the grounds that they could very well worsen the problem, making life easier for counterfeiters to flood EU markets with cheap fakes.”^[13]
- In December 2011 Witt penned an article with Edit Herczog from the European Parliament’s Industry, Research and Energy committee, which warned that “if new laws are not carefully considered in terms of how they may impact the black market, rather than tackling smoking, they may end up transferring the wellbeing of EU citizens to the hands of criminals.”^[14]
- In July 2012, ITIC also participated in the World Customs Organisation (WCO) Global Excise Summit in Brussels.^[15]

Work on Smuggling

The production and presentation of the April 2011 ITIC report *The Illicit Trade in Tobacco Products and How to Tackle It* highlights how close ITIC is to the authorities involved in combating smuggling. The report was written by Elizabeth Allen. Since retiring from British Customs in March 2009, Allen has carried out three successive policy development reviews for the UK Government’s Office as well as acted as a consultant and programme advisor for ITIC. The foreword to the report was written by Kunio Mikuriya, the Secretary General of the WCO.^[16]

Prior to publication, the report was reviewed by experts from [OLAF](#), HMRC, WCO, the US Department of the

Treasury, and the International Monetary Fund (IMF). The report was praised by *Tobacco Journal International* for “a competent and unbiased review on the issues affecting the illicit trade with tobacco products”.^[17]

In the report, ITIC argued that there are "numerous factors that are contributing to illicit trade, highlighting unbalanced fiscal policies, protectionist policy measures and weak enforcement." (The involvement of the tobacco industry in [smuggling](#) was not included). Illegal trade represents a yearly loss of €10 billion in tax revenue for EU member states. High tax on tobacco products is often promoted as one of the main reasons for smuggling.

ITIC suggests that the two main actors and beneficiaries of smuggling are 'terrorists' and 'organised crime':

“In many countries, enforcement resources and harsh penalties are targeted at drugs and human trafficking leaving the trade in illicit tobacco products as a high profit but low risk activity. As a result, the high profits available when measured against the risks of being caught and the low penalties handed down should a prosecution ever take place, make cigarette smuggling a very attractive option for organized crime gangs and terrorist networks.”^[16]

Lobbying Against Plain Packaging

The aforementioned report has also been used to lobby policy makers against plain packaging proposals. It was cited in debates in Brussels, and in submissions to the consultation on plain packaging in both Australia and the UK:

- At a meeting on intellectual property, counterfeiting and piracy in Brussels in 2011, Daniel Witt, President of ITIC, called on policy makers to assess any potential impact on aggravating illicit trade that measures such as the introduction of plain packaging for cigarettes may have.^[18] (for more detail, see below).
- This ITIC report is also cited in the submission to the Australian consultation on plain packaging by **Amcor**, the world’s largest packaging company.^[19]
- **Philip Morris** used the report in its submission to the UK 2012 consultation on plain packaging to arouse concern amongst policy makers by linking smuggling, organised crime and terrorism with detrimental impacts on local communities and children:

“The criminal gangs that smuggle and sell the vast majority of the nearly nine billion illicit cigarettes

(and HRT [Hand Rolled Tobacco] equivalents) consumed in the UK each year operate in the hearts of local communities. Illicit cigarettes are not the only things these criminal groups bring to local neighbourhoods: they also bring smuggled alcohol, guns, drugs, and violence.(131) The man on the corner selling cigarettes to kids from the boot of his car is not acting alone – his sales fund serious organised crime and terrorism.(132)” [20]

While footnote (132) refers to the ITIC report, footnote (131) is a reference to a quote from [Peter Sheridan](#) in an article in the Daily Mail.[21] Sheridan is a former policeman often cited for his experience and expert knowledge of the fight against smuggling. His close links to BAT - as detailed on his [TobaccoTactics](#) page - were not disclosed by PMI.

Lobbying Against Tobacco Taxation in Private Meeting Ahead of COP 6

On 12 October 2014, the morning before the Sixth Conference of the Parties (COP) of the FCTC, ITIC hosted an exclusive event in Moscow for representatives from Ministries of Finance.[22]

In an attempt to stall anticipated tobacco taxes, set to be agreed upon at the COP, the ITIC briefing was open to “invitation-only” officials and aimed to “ensure there is a balanced approach to important excise taxation issues”.[23]

In a private invitation sent to select delegates from around



**International Briefing on Tobacco Excise Taxation
for Ministry of Finance and Tax Administration Representatives**

**Sunday, 12 October 2014
Moscow**

12 August 2014

As you know, the next Conference of Parties of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) will be held in Moscow from 13-18 October 2014. One of the principle agenda items of the Moscow meeting will be the guidelines for implementation of Article 6 of the WHO FCTC “Price and tax measures to reduce the demand for tobacco” (document FCTC/COP/6/7) outlining tobacco taxation guiding principles and recommendations.

To ensure there is a balanced approach to important excise taxation issues, it is essential that, in addition to health officials, the government delegations include representatives from their Ministries of Finance and/or Tax Administrations who can lead the debate from the fiscal perspective. The International Tax and Investment Center (ITIC) has always believed that tax policy and administration matters should be decided by tax specialists from Ministries of Finance. Further, when the WHO initiated their work on taxation at the Conference of Parties IV Session (Uruguay, 2010) there was a decision that “fiscal experts be involved in the elaboration of the guidelines along with health experts.”

the world, ITIC urged Ministers of Finance to insist that “the government delegations include representatives from their Ministries of Finance and/or Tax Administrations who can

lead the debate from the fiscal perspective” (see Image 1). The meeting, held at a luxury resort in Moscow in collaboration with the Eurasian Economic Commission, included a “Review of Best and Worst Practices of Tobacco Excises” as well as a “Panel Discussion on the Next Steps”.^[23]

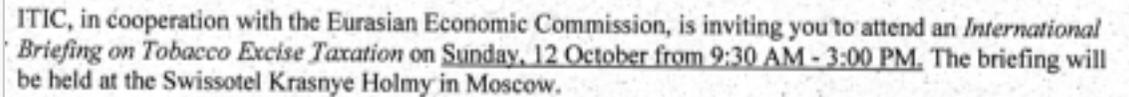
Such a meeting is another example of the tobacco industry violating Article 5.3 of the FCTC, which prohibits the influence of tobacco industry and its allies in tobacco control policymaking.

Recruits High-Level ex-Tax Officials

In May 2015 the former Head of Corporate Tax at HMRC, Dave Hartnett, was criticised for taking a position as a Director at ITIC (an organisation that has actively opposed tobacco tax and is funded by tobacco companies), alongside representatives from the tobacco industry. Hartnett had previously been involved in disputes over “generous” tax deals with global corporations and had been condemned for his advisory work with HSBC, an international corporate bank, since leaving HMRC.^[24] Health campaigners expressed concerns that Hartnett should have declared his role, as he was chairing meetings for ITIC and presenting at its conferences as early as October 2013, less than two years after leaving his senior civil servant position.^[24] In a statement, Hartnett claimed that he was, along with other “leading figures in taxation”, a nominal director of ITIC,

“I am not paid for that role [with ITIC]... I am not an executive director and do not in any way direct the strategy or business of ITIC. I know ITIC as a not-for-profit research and education organisation, which supports the development of tax systems in less developed countries.”^[24]

Subsequently, the World Bank announced it was pulling out of a tax conference funded by several of its transnational tobacco company supporters given mounting concerns about ITIC and its role in undermining health policy (See below).^[24]



ITIC, in cooperation with the Eurasian Economic Commission, is inviting you to attend an *International Briefing on Tobacco Excise Taxation* on Sunday, 12 October from 9:30 AM - 3:00 PM. The briefing will be held at the Swissotel Krasnye Holmy in Moscow.

Image 1: Excerpt from ITIC private invitation to Ministers of Finance on the eve of COP 6

Establishing Academic Groups

Academy of Public Finance – Vienna University of Economics and Business

Having established "successful" tax training programmes in Azerbaijan and Kazakhstan, in 2012 ITIC began expanding its training courses into 12 countries across the Eurasia region. [25] These were conducted in collaboration with the Institute for Austrian and International Tax Law at Vienna University of Economics and Business, the International Finance Corp and the accountancy firm, Ernst & Young. Together, the institutions launched the Academy of Public Finance as a public/private initiative, which offers policymakers and administrators training in three core areas of taxation over two years. [26][27]

In its September 2013 monthly Bulletin, ITIC confirmed that the Academy of Public Finance had received start-up funds from [Japan Tobacco International](#) (JTI), stating:

"We are most grateful to JT International who provided expert advice on practical tax matters and made a two-year sponsorship commitment to finance the start-up and secretariat infrastructure that will be based at Vienna University of Economics and Business." [25]

Due to its tobacco industry funding and connections, the ITIC partnership with academia could provide a prime platform for it to promote a pro-tobacco agenda, as it has done in the past (see above sections).

Leading the development of the Academy of Public Finance was Dr. Jeffrey Owens, Professor and current Director of the Global Tax Policy Center (GTPC) at the Institute for Austrian and International Tax Law. [28] Owens, who previously worked on tax matters at the Organisation for Economic Co-operation and Development (OECD) and as a government advisor on tax and business issues has served as a "distinguished fellow" at ITIC since May 2012. [29]

The Africa Tax Institute

Although originally focused geographically in Eurasia, the Academy of Public Finance has since expanded its programmes into Africa. [30][27] According to the website, ITIC has been working with 20 African countries

since 2000 and claims that “in a large part, the ITIC policy recommendations on excise reform have been enacted and are part of the current law in Kenya and Ghana.”^[29] A key partner in ITIC’s operations in Africa is the Africa Tax Institute.^[26]

The Africa Tax Institute (ATI) is a research group based in the Department of Economics, University of Pretoria, South Africa, which claims to be “devoted to training, research, and technical assistance in the areas of tax policy and tax administration on the African continent.”^[31] In June 2015, the ATI announced collaboration with the GTPC at the Vienna University of Economics and Business,^[32] thereby expanding the Academy’s influence and reach on the continent. ITIC maintains a strong presence in the ATI through the Advisory Board, where senior ITIC Economics Advisor Sijbren Crossen holds a position.^[33]

Sijbren Crossen, a Professor of Economics at Maastricht University, the Netherlands^{[34][33]} and a Professor of Economics at the University of Pretoria has also served as an advisor to the OECD and advised governments on tax system and policy issues.^[35] ATI’s director, Riël Franzsen of the Faculty of Economic and Management Sciences at the University of Pretoria, has also assisted ITIC in a role as “Senior Advisor”.^[36]

Africa Tax Dialogue in Mozambique

In June 2015, ITIC announced that all three - Owens, Crossen and Franzsen - would sit on the organising committee, representing ITIC for the 7th Africa Tax Dialogue in Maputo, Mozambique 17-19 November 2015.^[37]

According to the ITIC website, the dialogue:

“focus on tax coordination within regional economic communities (RECs) in Africa. Each of the forums includes focus on tax coordination and brings together the Secretariats from EAC, SADC, UEMOA, and ECOWAS to discuss their own tax coordination and also learn of the best practices from others.”^[38]

So once again ITIC could be facilitating the tobacco industry’s access to policy makers, but this time in Africa.

Hosts High Level Meetings

In hosting high level meetings with officials, members of national and regional governance organisations, and with international institutions (see above), ITIC has provided tobacco industry allies access to individuals and organisations it could otherwise be difficult to access directly.

Such access has been given to representatives of the World Bank (WB) and International Monetary Fund (IMF),^[39] members of the EU Parliament, high level members of the European Commission,^[40] and representatives from government.^{[41][29][40]}

Africa Tax Dialogue Meetings

Africa Tax Dialogue meetings provide a forum for ITIC to effectively represent tobacco industry interests on matters of tax and illicit trade in Africa and allows its representatives direct access to the policy makers and Ministers of Government who attend the meetings.^{[41][40]} At the African Tax Dialogue meeting in Tanzania in July 2014, ITIC's president Daniel Witt and Senior Advisors Jeffrey Owens and Sijibren Cnossen were brought together alongside the Tanzanian Minister of Finance Saada Mkuya Salum, where they took part in a special workshop on "Combating Illicit Trade of Excisable Goods".^[41]

In the workshop, [KPMG's "Project Star"](#) KPMG's 'Project Star' was referenced in discussions of illicit trade in the EU, despite the fact the study has been questioned by academics (including those at the University of Bath) due to problematic methodologies, which allowed the project to overestimate illicit cigarette levels in some EU countries.^[42]

ITIC engaging in seemingly independent tax forums and conferences allows for the promotion of the tobacco industry agenda specifically around tax and illicit trade.^[40] Because of this, in May 2015, the tobacco control community successfully pressurised the World Bank to withdraw its financial support for the 12th Annual Asia Pacific Tax Forum in New Delhi, which was being organized by ITIC and was therefore indirectly sponsored by ITIC supporters who include major transnational tobacco companies: [Philip Morris International](#), [British American Tobacco](#), [Japan Tobacco International](#) and [Imperial Tobacco](#).^[43]

In the wake of the World Bank withdrawal from the Eurasia Tax Forum, Dr Doug Bettcher, Head of Non-Communicable Disease at the World Health Organisation, spoke out about ITIC and the tobacco industry's third party tactics:

“ITIC has published extensively in favour of the tobacco industry’s false positions on excise taxation, investment and illicit trade in tobacco products...ITIC have used their international conferences.. to lobby government officials against tobacco taxation.” [24]

Bettcher also commented that “WHO urges all countries to follow a non-engagement policy with ITIC.” [24]

TobaccoTactics Resources

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- [Third Party Techniques](#)
- [Lobby Groups](#)
- [A list of all pages on Africa](#)
- [Framework Convention on Tobacco Control](#)
- [Peter Sheridan](#)
- [Plain Packaging](#)

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