



Tobacco Industry's Hidden Agenda in the International Tax and Investment Center (ITIC)

Jakarta, 23 May 2016 – Today, the 13th Annual Asia-Pacific Tax Forum initiated by the International Tax and Investment Center (ITIC) was officially opened in Jakarta. Claiming itself to be an independent non-profit research and education center, ITIC has announced that it will bring tax reform to Indonesia. Waiting in the shadows behind ITIC's move to approach the government of Indonesia however, is the tobacco industry's hidden agenda.

In 2015, ITIC met with Indonesian Vice President Jusuf Kalla during which ITIC President Daniel Witt presented the book titled *Excise Tax in ASEAN: A Guide to Reform Ahead of AEC 2015*. Witt explained that the book, among others, discusses the imposition of excise duty on cross-border trade for commodities such as cigarettes and alcohol. The book was also given to Finance Minister Bambang Brodjonegoro. This was ITIC's initial step towards approaching the government of Indonesia.

First of all, is ITIC really independent? Among its board of directors sits representatives from four major tobacco companies, Philip Morris (PMI), Japan Tobacco International (JTI), British American Tobacco (BAT) and Imperial Tobacco. Two years into its inception, ITIC disclosed that it provides access or support for policy-making to its sponsors which include the aforementioned transnational corporations.

ITIC has lobbied various countries to resist tobacco tax policies. They drew up a tax manual that essentially facilitates a favorable investment climate, but then slipped in a chapter on tobacco product duty. Their intention was clear, to make sure that the government does not raise tobacco taxes too high, and this is in contradiction with international policies, including the World Bank's.

In May 2015, the World Bank withdrew its financial support for the 12th Annual Asia-Pacific Tax Forum in New Delhi, India, organized by ITIC. The World Bank refused to provide any form of support and the government of India did not assign any representative to the forum. This was all done for the best interest of the public.

Concerning the above, Dr. Doug Bettcher, WHO Director for Prevention of Non-Communicable Diseases mentioned that "ITIC has published extensively in favor 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." In light of this, Bettcher went on to assert that WHO has advised all countries to not engage with ITIC that also works alongside academicians and economic departments for policy-making.

The government of Indonesia, in this case the Finance Ministry, however appears to have been deluded by ITIC into allowing the same forum to be held here in Indonesia. To improve the investment climate, the government should remain consistent with the essence of its Excise Duty Law that seeks to control consumption by increasing tobacco duty tariffs. ITIC fiercely opposes levies against tobacco products, and will see to it that the government aborts its plans, by putting in the fear that tax increases will lead to a rise in illegal tobacco products.

Furthermore, the power to decide on excise duty lies solely with the government, and not dictated by ITIC that only seeks to boost its business in the ASEAN market, primarily in Indonesia.

“What ITIC is doing in countries that it approaches is nothing short of a camouflage to pander to the interests of tobacco companies. This is simply a strategy for ensuring the survival of their businesses, and their ways are subtle. Government officials, particularly at the Finance Ministry, are at risk of being swayed. This will be extremely harmful for tobacco control and efforts to protect the people,” stated Kartono Mohamad, Head of Tobacco Control Support Center (TCSC) and also member of the Advisory Board of the National Commission for Tobacco Control.

This is confirmed by Abdillah Ahsan, an economist and Deputy Head of University of Indonesia’s Institute of Demography. “The government needs to be cautious with ITIC’s recommendations. The State can become an instrument for the tobacco industry to reap profits through weak tobacco control policies, especially duty policies that are highly effective in bringing tobacco consumption down.”

The governments must be aware that ITIC is sponsored by multinational tobacco companies with the hidden agenda of interfering with government economic policies, particularly concerning tobacco control such as in regard to tobacco tax or duty, bearing in mind ITIC’s meddling in other countries. The government therefore must not enter into any commitment with ITIC. Tax reform should be re-examined, especially regarding tobacco excise duty, as public health will be put at risk if the tobacco industry is allowed to easily cash in on selling cheap cigarettes to the people.

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About the National Commission for Tobacco Control (NCTC):*The National Commission for Tobacco Control is a coalition of civil society organizations that focuses on tobacco issues. Established on 27 July 1998 in Jakarta, NCTC’s membership consists of 21 organizations and individuals, including professional associations, NGOs and foundations, concerned over the harmful effects of tobacco on people’s lives, particularly the younger generation. This civil society coalition was created out of a shared concern for improving the health of the people of Indonesia, and as such has agreed to consolidate and work in concert towards protecting the public from the harms caused by tobacco consumption.*

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ON TOBACCO CONTROL

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Sixth session of the Conference of the Parties to the WHO FCTC: issues related to Article 5.3 and the guidelines for its implementation

The Convention Secretariat presents its compliments to the Permanent Missions in Geneva of the Parties to the WHO Framework Convention on Tobacco Control (WHO FCTC) and has the honour to refer to the sixth session of the Conference of the Parties to the WHO FCTC, which will be held from 13 to 18 October 2014 in Moscow, Russian Federation.

As part of its agenda, the Conference of the Parties (COP) will consider many topics related to economics and trade: the report and draft guidelines¹ on Article 6 (*Price and tax measures to reduce the demand for tobacco*), submitted by the open-ended drafting group established by the COP at its fifth session;² the status of the Protocol to Eliminate Illicit Trade in Tobacco Products;³ and trade and investment issues relevant to implementation of the WHO FCTC.⁴

It has been brought to the attention of the Convention Secretariat that the International Tax and Investment Center (ITIC),⁵ in cooperation with the Eurasian Economic Commission, is organizing a briefing on tobacco excise taxation in Moscow on 12 October 2014, one day before the opening of the COP, and inviting tax officials from Parties and WHO Member States that are observers to the COP to participate. The Convention Secretariat would like to bring to your attention that ITIC has a number of tobacco companies as part of its board of directors and has produced many publications on several areas related to taxes and prices, investment and illicit trade in tobacco products.

In light of Article 5.3 of the Convention and the guidelines for its implementation adopted by the COP, the Convention Secretariat would like to inform the Parties and accredited observers to the Convention that this event is in no manner supported by the Convention Secretariat and cannot be considered as being in any way linked to the COP. The Ministry of Healthcare of the Russian Federation has also reassured the Secretariat that ITIC's event is in no manner supported by the Government of

¹ See document FCTC/COP/6/7, available at http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6_7-en.pdf

² See http://who.int/fctc/guidelines/groups/art_6/en/

³ See document FCTC/COP/6/6, available at http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6_6-en.pdf

⁴ See document FCTC/COP/6/20, available at http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6_20-en.pdf

⁵ See <http://www.iticnet.org>

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the Russian Federation. Furthermore, to the best of Secretariat's information, the event is also not supported by any Party or accredited observer to the WHO FCTC.

The Convention Secretariat would also like to take this opportunity to remind Parties of recommendations 4.9 and 8.3 of the guidelines for implementation of Article 5.3 of the WHO FCTC related to the composition of delegations to meetings of the COP and its subsidiary bodies. Furthermore, in line with Articles 4.2 and 4.4 (*Guiding principles*) and 5.1 (*General obligations*) of the WHO FCTC, the Secretariat would like to highlight the pertinence of involving different sectors of the government as part of their delegations, such as customs, finances, regulatory and law enforcement authorities among others.

The Convention Secretariat is available to respond to any queries related to the information contained in this note verbale and avails itself of this opportunity to renew to the Parties to the WHO FCTC the assurance of its highest consideration.

GENEVA, 19 September 2014

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ITIC: reminder of note verbale circulated to Parties on 24 September 2014

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The Convention Secretariat notes with concern the intensified efforts by ITIC – the International Trade and Investment Centre – to promote policies to Parties to the WHO FCTC that fall short of the requirements of treaty's article 6 on taxes and prices and article 15 on eliminating illicit trade in tobacco products.

ITIC is not a legitimate forum to promote implementation of the WHO FCTC. It is a purported independent think tank that strives to influence governments to adopt measures in contravention of the treaty. ITIC receives funding from and includes representatives of all major tobacco multinationals on its Board. Furthermore, their publications are in blatant conflict with the provisions that Parties have committed to under the treaty and guidelines.

We would like to remind Parties that article 5.3 of the Convention and its guidelines call upon them not to interact with the tobacco industry and its front groups, including meetings organized by such entities (or limit their interactions to the strictly necessary to effectively regulate the tobacco industry and tobacco products).

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