

May 2016

## Q & A on the International Tax and Investment Center (ITIC)

### 1. Who is the International Tax and Investment Center (ITIC)?

The International Tax and Investment Center (ITIC) is a private institution based in Washington, DC, whose sponsors include the major transnational tobacco companies, Philip Morris International (PMI), British American Tobacco (BAT), JT International (JTI) and Imperial Brands (Tobacco) Group. Additionally representatives from all four transnational tobacco companies sit on the ITIC Board of Directors.<sup>i</sup>

Together with Oxford Economics (not affiliated with Oxford University), the ITIC has conducted research on illicit tobacco trade in Asian countries in 2013 and 2014 funded by PMI. ITIC's research was done according to agreed terms of reference provided by Philip Morris Asia Ltd. The Southeast Asia Tobacco Control Alliance (SEATCA) has done a critique on both ITIC reports on illicit tobacco trade to expose how there is *More Myth than Fact*<sup>ii</sup> and how ITIC's research has *Failed*<sup>iii</sup> because of flawed methodology, errors and inflated data.

### 2. Wouldn't the ITIC be objective in its research and positions since it is made up of economic professionals and former high-level government officials with extensive experience?

Because tobacco companies are among its funders and on its Board of Directors, ITIC's industry-friendly position on tobacco tax is revealed in its pro-tobacco-industry recommendations in its illicit tobacco trade reports. Such recommendations completely disregard the scientific evidence as reflected in the WHO Framework Convention on Tobacco Control (FCTC) Article 6 Guidelines on tobacco tax and price measures, which were developed and, in 2014, adopted by Parties to the FCTC.

The ITIC, the tobacco industry, and its spokespersons use the ITIC reports to criticise governments<sup>iv,v,vi</sup> that have significantly raised tobacco tax as recommended in the FCTC Article 6 Guidelines. They blame high taxes as the main cause of illicit trade, discourage governments from effective tax increases, and encourage consultation and collaboration with the private sector, meaning the tobacco industry, to tackle illicit trade, which is in direct violation of FCTC Article 5.3,<sup>vii</sup> which requires governments to protect public health policies (such as tobacco taxation policy) from the "commercial and other vested interests of the tobacco industry".

### 3. Is it alright to engage with the ITIC on non-tobacco tax issues since the ITIC also handles broad economic and tax issues?

While the ITIC also handles broad economic and taxation issues, inevitably tobacco will be discussed. For example the ITIC has come out with an ASEAN excise tax manual, which has a chapter on tobacco taxation that provides pro-industry positions.

The FCTC Convention Secretariat (FCS) has issued two *Notes Verbale* on non-engagement with ITIC, which serve as serious warnings to governments. In 2014 the ITIC organised a briefing on tobacco taxation one day before the official start of the 6<sup>th</sup> Session of the Conference of the Parties (COP6) where governments had to make important decisions on international guidelines on tobacco tax (Article 6) and the FCTC Protocol to Eliminate Illicit

Trade in Tobacco Products. The FCS issued a *Note Verbale*<sup>viii</sup> warning governments not to attend the ITIC briefing.

In March 2016, the FCS, noting with concern the intensified efforts of ITIC to promote policies favouring the tobacco industry rather than the FCTC, issued a second *Note Verbale*<sup>x</sup> which refers to the ITIC as a group that “serves the interest of the tobacco industry” and organises meetings that serve as a “means for the tobacco industry to interfere with national policies on tobacco taxation and controls on the illicit trade in tobacco products.” The *Note Verbale* advises that such behaviour of the ITIC is “damaging for tobacco control efforts worldwide.”

By definition the ITIC represents the tobacco industry, hence FCTC Article 5.3 and its implementing guidelines apply.

#### **4. The ITIC has a good relationship with our President and Minister, who have given the go ahead for our department to meet with ITIC and collaborate with them. We cannot avoid this situation. What should we do?**

Refer to the FCS *Note Verbale* that the ITIC serves the interests of the tobacco industry, and a meeting with the ITIC will not bring a positive outcome for tobacco control and public health. The President and senior government officials may be unaware of the two *Notes Verbale* issued on the ITIC. These *Notes Verbale* still apply. You should reject the invitations to meetings/workshops from the ITIC. However, in the event you do meet with them, you don't have to commit to them nor collaborate with them. Moreover, you should alert WHO in your country and/or SEATCA about the visit from ITIC and their proposal to your department. If you need assistance in responding to the ITIC's request, WHO and SEATCA can help you.

#### **5. How reliable are SEATCA's critiques of the ITIC reports?**

SEATCA's critiques of the ITIC reports were prepared with and by Dr. Hana Ross,<sup>x</sup> a respected economist and academic with vast experience in tobacco taxation and illicit trade research. Dr. Ross has collaborated with and provided technical assistance on tobacco tax to ASEAN countries over the past 15 years. Additionally SEATCA critiques are counter-checked with our partners from ASEAN countries.

#### **6. Why doesn't SEATCA meet or collaborate with ITIC and sort out differences?**

As a pro-health organization and consistent with FCTC Article 5.3, SEATCA does not engage with the tobacco industry, its representatives, and its front groups. We take the FCS's *Notes Verbale* very seriously and follow its recommendations not to engage with ITIC. SEATCA believes that a meeting with ITIC will not bring about an outcome to benefit public health.

#### **7. Are there any other institutions besides SEATCA that do not agree with the findings and recommendations of ITIC?**

There are several institutions that see the ITIC as a representative of the tobacco industry and will not engage with it:

- a. The governments of Brunei and Hong Kong do not agree with the findings of the ITIC.

- b. The University of Bath's Tobacco Control Research Group's Tobacco Tactics lists the ITIC under 'third party techniques' which the tobacco industry uses.<sup>xi</sup>
- c. The World Health Organization adopts the same position as the FCS and treats the ITIC as a representative of the tobacco industry.
- d. The Framework Convention Alliance (FCA), an international NGO, has also exposed the ITIC as an organization that facilitates the tobacco industry's access to government officials and uses their workshops, contacts and research to push for tax systems and rates that benefit the industry over public health.<sup>xii</sup>
- e. Tax Justice Network has identified the ITIC as a group that champions the tobacco industry's interests.<sup>xiii</sup>

<sup>i</sup> International Tax and Investment Center website: [http://iticnet.org/Sponsors\\_BoardOfDirectors](http://iticnet.org/Sponsors_BoardOfDirectors)

<sup>ii</sup> SEATCA, More Myth Than Fact: A Critique, June 2014, [http://seatca.org/dmdocuments/ITIC%20report More%20Myth%20than%20Fact 2%20July%202014 .pdf](http://seatca.org/dmdocuments/ITIC%20report%20More%20Myth%20than%20Fact%20July%202014.pdf)

<sup>iii</sup> Hana Ross, Failed: A Critique of the ITIC/OE Asia-14 Illicit Tobacco Indicator 2013, SEATCA, May 2015 <http://seatca.org/dmdocuments/Asia%2014%20Critique Final 20May2015.pdf>

<sup>iv</sup> BAT Malaysia, The illegal cigarette trade in Malaysia [http://www.batmalaysia.com/group/sites/BAT\\_7RYJ8N.nsf/vwPagesWebLive/DO8PBFVAV?opendocument](http://www.batmalaysia.com/group/sites/BAT_7RYJ8N.nsf/vwPagesWebLive/DO8PBFVAV?opendocument)

<sup>v</sup> Daniel Witt and Adrian Cooper, Illicit trade a threat to APEC economies, The Jakarta Post, 18 Nov 2013 <http://www.thejakartapost.com/news/2013/11/18/illicit-trade-a-threat-apec-economies.html>

<sup>vi</sup> The Sun Daily, Government urged to understand size, implications of illicit tobacco trade, 30 Sep 2013 <http://www.thesundaily.my/news/843338>

<sup>vii</sup> WHO Framework Convention on Tobacco Control Guidelines for Implementation, [http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185\\_eng.pdf](http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185_eng.pdf)

<sup>viii</sup> Note Verbale of the Convention Secretariat of 19 September 2014 on issues related to Article 5.3 and its guidelines (covering the pre-COP6 meeting organized by ITIC), Geneva [http://apps.who.int/fctc/implementation/database/sites/implementation/files/documents/resources/NV\\_14\\_25\\_19Sep14\\_en.pdf](http://apps.who.int/fctc/implementation/database/sites/implementation/files/documents/resources/NV_14_25_19Sep14_en.pdf)

<sup>ix</sup> Note Verbale of the Convention Secretariat of 4 March 2016 on tobacco industry interference on the tracking and tracing systems (including reference to regional meetings organized by ITIC), Geneva [http://apps.who.int/fctc/implementation/database/sites/implementation/files/documents/resources/NV %2016\\_04\\_4Mar16\\_en.pdf](http://apps.who.int/fctc/implementation/database/sites/implementation/files/documents/resources/NV_%2016_04_4Mar16_en.pdf)

<sup>x</sup> Hana Ross, Economics of Tobacco Control Project, University of Cape Town, <http://tobaccoecon.org/hana-ross/>

<sup>xi</sup> TobaccoTactics, Department of Health, University of Bath [http://www.tobaccotactics.org/index.php/International Tax and Investment Center](http://www.tobaccotactics.org/index.php/International_Tax_and_Investment_Center)

<sup>xii</sup> FCA, ITIC: a foundation directly sponsored by transnational tobacco companies, <http://www.fctc.org/media-and-publications/fact-sheets/alternative-livelihoods-and-environment/1246-itic-a-foundation-directly-sponsored-by-transnational-tobacco-companies>

<sup>xiii</sup> Tax Justice Network, <http://www.taxjustice.net/2015/06/01/world-no-tobacco-day-marching-to-big-tobaccos-tune/>