Obscured by the smoke

British American Tobacco’s deathly lobbying agenda in the EU

Corporate Europe Observatory, June 2009
"Tobacco is the only legally available consumer product which kills people when it is used entirely as intended."
*The Oxford Medical Companion, Oxford University Press, 1994*

"Tobacco companies can only act responsibly by putting themselves on the road to financial ruin and discouraging consumption. That won’t happen."¹
*Simon Chapman, Professor in Public Health, University of Sydney, 2006*

**Introduction**

As the world’s number two tobacco company, European multinational British American Tobacco (BAT) has been lobbying the EU institutions on a number of fronts in recent years. Fighting against the harmonisation of cigarette duty, battling against smoking bans in public places and campaigning to lift the EU ban on a ‘smokeless’ tobacco product called ‘snus’ were all high on the company’s agenda. At the same time, BAT has tried to establish itself as a leader in corporate social responsibility (CSR) to try to appear as a ‘legitimate’ stakeholder to EU lawmakers and to maintain dialogue with them in a general context of suspicion against the tobacco industry.

As this report shows, the most important part of this lobbying job has been done ‘undercover’, using two main channels. Firstly, BAT hides behind a myriad of associations which are used as ‘vehicles’ for EU lobbying. Some are Brussels-based, others are in member states or even in non-EU countries. Due to loopholes in EU lobbying transparency rules and a lack of enforcement, the amount of money paid to such lobbying vehicles is not available publicly. Corporate Europe Observatory (CEO) has found that as well as the official amount registered on the Commission’s voluntary register of interest representatives (€150,000-200,000), BAT contributed twice as much again to three main lobbying bodies (CECCM, ESTA, ESTOC). Some of the names of BAT-funded lobby groups and front groups active in Brussels are not even disclosed on the register, let alone the amounts paid. CEO has discovered that at least €527,000 was paid to associations lobbying on BAT’s behalf, increasing its lobbying budget fourfold to €677,000-727,000.

Secondly, anticipating new international rules hostile to pro-tobacco advocacy, BAT has innovated in the lobbying field by using ‘corporate social responsibility’ (CSR) as a lobbying tool. In 2006-2007, under the banner of a so-called ‘EU stakeholder dialogue’, the company obtained direct access to at least 42 EU policymakers, targeting them with political messages directly related to pieces of legislation being discussed in Brussels. Arguing that it was ‘CSR’ and not ‘lobbying’, BAT refused to disclose the budget of this two-year campaign involving in-house personnel, two external lobbying firms, one communications agency and one auditing firm. It can however be assumed that this campaign involved considerable expenditure.

CEO estimates that BAT’s real lobbying budget could in fact be at least five times higher than the amount disclosed on the voluntary register. This is a very conservative estimate that does not include the lobbying budgets spent in each member state to influence EU decisions.
Tuesday 15 July 2008 was probably one of the worst days in the career of tobacco industry lobbyists in Brussels. They suffered two serious setbacks and from this point on, their very presence in the corridors of EU power has been more and more difficult.

The first blow came from Avril Doyle MEP, who sits on the steering committee of the European People’s Party (EPP), the largest political group in the EU assembly. “I would be happy to see a long-term target date, say 2025, when it would be illegal to sell tobacco products in the EU”, she declared to a crowd of parliamentarians, global health experts and anti-smoking campaigners at a conference in Brussels.

The Health Commissioner Androulla Vassiliou then struck a further blow to cigarette lobbyists: “I am ready to commit today to not accept any invitation coming from the tobacco industry or those working in its interests so long as I hold office”, she said, calling on other public bodies not to talk to tobacco lobbyists either.

In Brussels, the biggest European tobacco company British American Tobacco (BAT) remained utterly silent. As did the rest of the industry. From a PR perspective, it was probably the thing to do. The only reaction came six weeks later from British eurosceptic MEP and tobacco industry ally Godfrey Bloom, who asked a parliamentary question challenging Vassiliou’s stance.

Indeed since the adoption of the World Health Organisation’s Framework Convention on Tobacco Control (WHO FCTC) in May 2003, a sword of Damocles has been hanging over tobacco lobbyists. Article 5.3 of the Convention, which is about to be implemented in the EU, specifies that when Parties are setting and implementing public health policies related to tobacco control, they shall “act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law”.

As this report shows, BAT not only expected this crackdown on tobacco lobbying but anticipated it and developed new innovative ways of lobbying under the more discrete banner of ‘corporate social responsibility’ (CSR). Another strategy widely used by BAT was to lobby undercover through BAT-funded lobby groups, front groups and think tanks. Due to the voluntary nature of the Commission’s register of interest representatives, loopholes in guidelines for registration, and the lack of checks on the data entered, the great majority of the costs associated with these lobbying strategies are not in the public domain.

Ten lobbyists in the European Parliament

With a 17.1% share of the international cigarette market in 2007, the UK-based company is the world’s second-biggest publicly traded cigarette maker, just behind its US competitor Philip Morris International (18.7% share). (See Annex 1)

In the EU, BAT held an estimated 16% share of the market in 2007, behind its main competitors Philip Morris (39%) and Imperial Tobacco (21%), and slightly ahead of Japan Tobacco (15%). Each year some 650,000 smoking-related deaths occur in the EU. Based on BAT’s share of sales, 104,000 of them — 12 deaths an hour — could be attributed to BAT products.

Due to its international position, BAT plays a leading role in the ‘tobacco lobby’ in the EU capital. Its Brussels office is based in rue du Trône, a stone’s throw away from the European Parliament. At least 12 people work there, liaising closely with the company’s London headquarters.

Those lobbyists have been campaigning in recent years to undermine the harmonisation of cigarette duty across the EU, to lift the EU ban on a smokeless tobacco product called ‘snus’, and to fight smoking bans in public places (see Box 1). In parallel, BAT has polished its tarnished image by investing in CSR to appear as a ‘legitimate’ stakeholder to EU lawmakers and to maintain dialogue with them — a dialogue which is more and more restricted by the WHO FCTC.
Box 1 | BAT’s current EU lobbying targets

Lift the EU ban on snus. Swedish snuff or snus (pronounced snooze) is a sort of small tea-bag filled with tobacco that is placed between the cheek and the gum of the upper lip to get a nicotine fix. In the EU, the sale of snus and other forms of ‘oral’ tobacco was outlawed in 1992. For cultural reasons, Sweden is the only country exempted from the ban9. To gain market share and sales as the smoking rate among adults declines in the EU, BAT — which sells snus in Sweden, Norway, South Africa and Canada — has been engaged in a lobbying battle to lift the EU ban on snus since 2005. According to a recent review by the Commission’s Scientific Committee on Emerging and Newly Identified Health Risks (SCENIHR), snus causes cancer, is addictive and might act as a gateway to other forms of tobacco use10. Now BAT is pinning its hopes on the Swedish government which will host the EU presidency in July 2009 and has spearheaded a press campaign to lift the ban11,12.

Fight cigarette duty harmonisation. There is a universal rule: smoking rates go down as prices go up. “A 10% increase in the price of cigarettes reduces consumption by about 4% in high-income countries and 8% in low and middle-income countries”, according to the WHO13. Price also plays a major role in determining how many young people start smoking. This in turn profoundly influences long-term consumption trends. This is why the tobacco industry tries to keep its products affordable by fighting any new policy that might increase their prices. No surprise then that BAT sees the current move to harmonise cigarette excise in the EU, raising prices in some countries, as “not a realistic suggestion in the foreseeable future”. BAT is instead pushing for a divide-and-rule strategy based on soft law, ie. “a new set of guiding principles aiming at excise tax optimisation in each individual member state”14.

Combat smoking bans in public places. BAT and CECCM both say that smoking should be “banned in all enclosed public places and workplaces”... but with exemptions for bars and restaurants, among others. BAT and the industry promote technical solutions such as ventilation and/or smoking booths for these locations15. As there is no European directive on the issue yet, this strategy is also used at national level where more and more member states are voting for laws in anticipation of a possible future directive16. In Germany, for example, BAT ran a PR campaign in 2007 with advertisements in newspapers and an online video promoting the technical solutions put forward by the industry (see Box 5).

Maintain dialogue with Commission. This is a direct consequence of Article 5.3 of the World Health Organisation’s Framework Convention on Tobacco Control (WHO FCTC) against tobacco industry interference with tobacco control policies. The issue is mostly dealt with at an industry-wide level, through BAT’s main lobbying vehicle CECCM. In a 2007 position paper on the scientific evaluation of decisions regarding tobacco products at EU level, CECCM for example supported a process “which includes the participation of experts from the tobacco industry”17. A “dialogue on regulatory proposals” that are examined and approved under the so-called “comitology” procedures would also be “highly desirable”. On the other hand, industry exclusion from debates would be “counter to the principles of openness and transparency that the EU adheres to”. As a result, “Commission support to avoid these practices would be welcomed”, CECCM said.
A highly under-estimated lobbying budget

According to the Commission’s voluntary register of interest representatives, BAT declared €150,000-200,000 in expenditure on EU lobbying in 2008 — a range that is “a percentage of the total cost of our Brussels office plus an estimate of the cost of specific activities from other offices with regard to direct lobbying of the EU institutions on specific legislative initiatives”. In comparison, its direct EU competitors Imperial Tobacco and Japan Tobacco International declared twice as much (€350,000-400,000 each). Philip Morris International has not registered. In the United States, Reynolds American — the joint venture created through the merger of BAT’s US business Brown & Williamson and RJ Reynolds in 2003 — spent $3,567,700 (€2,755,200) on lobbying in 2008. Before the merger, Brown & Williamson’s annual lobbying budget varied from $952,000 (€735,200) to $2,460,000 (€1,900,000), with the company holding a 10% market share in the US.

BAT states in its register profile that it “does not generally approach institutions individually” but rather “lobbies as a member of specific associations”. As the declared range in the register “excludes fees to associations”, it is clear that the company’s budget for EU lobbying is under-estimated. BAT declared membership of 36 associations, without counting the national tobacco manufacturers associations in most of the markets where it operates.

The ‘triumvirate’ of the tobacco lobby: CECCM, ESTA, ESTOC

In Brussels, BAT has executive powers in the Confederation of European Community Cigarette Manufacturers (CECCM), the European Smoking Tobacco Association (ESTA) and the European Smokeless Tobacco Council (ESTOC) (see Annex 2). These three industry groups constitute the ‘triumvirate’ through which EU lobbying is carried out. Both CECCM and ESTA declared an EU lobbying budget of €300,000-350,000 in 2007. ESTOC has not yet registered. As BAT’s contribution to these lobbying budgets is not available in the register, CEO asked BAT about them. They replied that they contributed €292,000 to CECCM, €84,000 to ESTA, and €60,000 to ESTOC in 2008. These three bodies alone represent an additional lobbying budget of €436,000, dwarfing the modest €150,000-200,000 official figure declared by BAT on the Register.

But BAT says it has nothing to hide. “It is clear from the Commission’s guidelines, both on its web and information disseminated during meetings, what should be included and excluded and how to avoid double-counting between companies and associations of which companies are members”, BAT’s Corporate Affairs Manager Europe, Marianna Ikonomou, told CEO. “Double-counting” is certainly an issue, but the way it is dealt with clearly prevents transparency. There would be far more transparency if lobby groups like CECCM and ESTA were forced to declare the identity of their clients and funders, and how much they contribute to their lobbying budget.

Undercover lobbying through a myriad of associations

In addition to fees paid to the ‘triumvirate’, BAT also funds a large number of other lobby groups and think tanks that support its commercial interests at national, EU or international level, for instance in promoting free trade, lax regulation and low-tax policies. These include the Brussels-based groups BusinessEurope, European Round Table of Industrialists (ERT), European Policy Centre (EPC), American Chamber of Commerce to the European Union (AmCham EU), American-European Community Association (AECa) and British Chamber of Commerce in Brussels (BCCB).

Being a member of those organisations is very useful when trying to shape legislation without being seen to do so, or when meeting and lobbying high-profile policymakers. In 2006 for instance, BAT head
of Science and regulation Chris Proctor chaired a key European Policy Centre steering group which was instrumental in the drafting of a Commission-sponsored working paper on “Enhancing the role of science in the decision-making of the European Union”\textsuperscript{26}. The paper, which aimed to shape parts of the Commission’s ‘Better Regulation’ programme\textsuperscript{27}, was thus hijacked by a company which has a long tradition of undermining the basis of trust in science\textsuperscript{28}.

BAT’s membership of the British Chamber of Commerce in Brussels allowed Ben Stevens, the company’s regional director Europe, to have lunch with Health commissioner Markos Kyprianou in the EU capital in February 2006\textsuperscript{29}. A rare chance to directly lobby a key member of the European Commission.

Undeclared memberships

Although BAT prides itself on transparent lobbying\textsuperscript{30}, it did not declare its membership of some other more controversial lobby groups in the Commission register. BAT was a member of the European Business and Parliament Scheme (EBPS), for example, an umbrella group for 28 multinational companies and MEPs which enjoyed rent-free offices in the heart of the European Parliament\textsuperscript{31}. Due to the scandal caused by this set-up, EBPS was dissolved in November 2008. The annual membership fee for large companies like BAT to EBPS in 2008 was €15,000\textsuperscript{33}.

Ikonomou told CEO that they had not disclosed membership of EBPS because “this organisation was never meant as a lobbying platform but as a neutral platform to allow mutual understanding between MEPs and industry in general.” Yet EBPS organised MEP attachments with member companies, the kind of activity which clearly falls under the Commission’s definition of lobbying\textsuperscript{34}.

BAT’s sponsorship of the Freedom Organisation for the Right to Enjoy Smoking Tobacco (FOREST) — a smokers’ rights group funded “by UK-based tobacco companies”\textsuperscript{35} — was also not declared on the Commission’s register. “In 2007 we lobbied the European Commission, responding to an EC Green Paper, ‘Towards a Europe free from tobacco smoke: policy options at EU level’”, reads FOREST’s website which does not mention any commercial ties with BAT\textsuperscript{36}. “In 2008 we followed this up by attending a stakeholder consultation meeting and contributing to the Commission’s impact assessment procedure.”

FOREST did not register as an interest representative in the Commission’s voluntary Register either. Because fees to associations are not declared by companies to avoid “double counting”, BAT’s £70,000 (€76,000)\textsuperscript{37} yearly contribution to this industry front group keen on lobbying the EU is not available in the public domain (see Box 2). If we take into account CECCM, ESTA, ESTOC, EBPS and FOREST, a further €527,000 was spent by BAT on lobbying purposes, increasing its budget fourfold to €677,000-727,000 — rather than the €150,000-200,000 declared.
Box 2 | A Register with many loopholes

In June 2008, the European Commission launched its very first voluntary lobby transparency register. According to the Commission, “citizens can now see the huge diversity and multitude of organisations, companies, public affaires (sic) consultants, NGOs and think-tanks active in representing their interests in Brussels”. The wider public is now supposed to have access to “an unprecedented level of information, as they can see, for the very first time, who lobbies the European institutions, with what motivations and also against what financial background”.

The reality is very different: the compliance rate is low and the overall quality of information disclosed is very poor — as the example of BAT shows.

One big loophole in the current register is the way the Commission advises interest representatives how to avoid double-counting of lobbying costs. Double-counting would for instance occur if a trade association lobbying on behalf of member companies disclosed amounts that were also entered by the individual companies. To avoid this, registrants “are encouraged to agree with their partners and clients who reports what”, says the Commission in its guidelines for registration.

Clearly BAT has not agreed with its partners and clients who reports what. BAT did not disclose funds given to CECCM, ESTA and ESTOC. And in turn, those organisations did not disclose BAT’s contribution to their respective budgets.

BAT should also have disclosed fees it paid to unregistered associations (EBPS, FOREST, etc.) which were clearly involved in lobbying the EU institutions. As these associations have not registered they cannot disclose the fees received from BAT. So it was BAT’s responsibility to publish those figures.

Indeed the Commission seems more interested in avoiding double-counting of reported costs than in ensuring that those costs are at least reported once. To be a true democratic tool, the register should be mandatory instead of voluntary, develop far more detailed requirements and guidance for financial disclosure, make data entries comparable and include an obligation to report the names of lobbyists. It should also be randomly controlled with sanctions in case of non compliance with registration rules.
In addition to its declared lobbying budget and to all those unknown fees paid to a possible 65 associations — most of which are not registered —, BAT also invested in CSR to polish its public image and lobby at national and EU-level.

BAT’s core CSR worldwide strategy was masterminded by Michael Prideaux, director of Corporate & Regulatory Affairs (CORA), and his team. It was presented during a two-day internal CORA strategic steering group meeting held in London in May 2000. BAT’s short-term strategy was to start “substantive engagement with well-respected and reasonable NGOs” and “to brand and communicate it”. Where to focus? As much pressure “emanates from labour/human rights and environment NGOs”, BAT’s NGO-engagement “will start in these clusters”. The aim was to “get their third party verification/support” to show that BAT is “acting responsibly” on social and environmental agendas in order to “maintain its ‘licence to operate’”. Today this is a reality with BAT funding numerous NGOs active on the social, environmental, cultural and scientific fronts (see Annex 3).

Indeed in the last 10 years BAT has aimed to establish itself as a leader in CSR. In 1998 the company hired UK former Conservative Health Secretary, Kenneth Clarke as non-executive deputy chairman and chair of its CSR Committee for £150,000 (£163,000) a year plus £21,000 (£23,000) of benefits in kind.

In July 2002, BAT’s first social report was launched. The firm prided itself on being the first tobacco company to produce such a report. Prideaux’s baby was nonetheless vigorously criticised by health groups, including Action on Smoking and Health (ASH). The same year BAT donated £3.8 million (£4.2 million) to help establish the UK’s first International Centre for Corporate Social Responsibility (ICCSR) at the University of Nottingham Business School.

In fact 2007 was in a way the apotheosis of BAT’s CSR efforts since the 2000 CORA meeting: many business awards and recognition gleaned during that year ‘prove’ that BAT is now a socially ‘responsible’, ‘accountable’ and ‘transparent’ company. BAT also ranked in the top category of a WWF-co-sponsored report for its “outstanding reporting” on its public affairs activity. Last but not least, BAT was also very proud to be “the first tobacco company included in the Dow Jones Sustainability Indexes”. BAT also launched its first social report at EU level in 2007.
When CSR meets lobbying

In June 2005, BAT’s regional director Europe, Ben Stevens, sent letters to a few hand-picked, high-profile EU policymakers to invite them to participate in an “EU-level stakeholder dialogue”. Robert Madelin, Director-General for DG Health and Consumer Protection (SANCO), was approached to specifically discuss the issue of environmental tobacco smoke (ETS).

His reply to Stevens, obtained through access-to-document requests, made it clear that the whole operation was about direct lobbying. In his letter, Madelin referred to a BAT position paper promoting ventilation to solve ETS that Stevens had sent along with his invitation letter. “Circulating and communicating letters, information material or argumentation and position papers” is, according to the Commission, an activity “carried out with the objective of influencing the policy formulation and decision-making processes of the European institutions” — the very definition of lobbying by the Commission.

More than a year later, BAT launched BATresponsibility.eu, a website entirely dedicated to its “social reporting process” in the EU. Lobbying firms BXL Consulting and EUK Consulting, along with communication agency Morris & Chapman and auditing firm Bureau Veritas, were hired for this campaign.

Former Health Commissioner’s credibility for hire

One of BAT’s greatest PR achievements was recruiting former EU Commissioner for Health and Consumer Protection Pavel Telička as ‘facilitator’ of its so-called “EU social reporting sessions”. Telička, who is also a former ambassador and head of Czech mission to the EU with 20-year’s experience in the EU capital, is now the director of the Brussels office of Czech lobbying firm BXL Consulting, a Rond-Point Schuman-based company providing services to Microsoft, RWE, and the investment fund of a Czech billionaire.

“In fact the reason they have chosen to work with us were some of my well-known principles and attitude to smoking and tobacco, of which they have learnt on the Commissioner’s web page”, Telička told CEO. “It was quite clever from their side”, he added. During his short mandate, one “key area of concern” for Telička was indeed indoor air quality, and environmental tobacco smoke in particular.

To “encourage in-depth discussion”

Between September 2006 and January 2007, Telička conducted three “group dialogue sessions” and a number of individual in-depth interviews with EU “stakeholders” on behalf of BAT. The dialogue sessions brought together 11 to 24 individuals, including BAT representatives to focus on specific issues — public place smoking, “harm reduction”, anti-illicit trade and counterfeit products — in order to “encourage in-depth discussion of each topic and the central dilemmas facing society and tobacco companies like British American Tobacco”. The “stakeholders” identified by BAT were the Commission, the Parliament, the Council (through permanent representations to the EU), public health experts, NGOs, business organisations, think tanks and other bodies.

As is usual with BAT’s events, the ‘Chatham House rule’ was applied during all debates and interviews. That rule aims at “providing anonymity to speakers and to encourage openness and the sharing of information”. As a result, not a single name of any individual or association is given in the final report, and all quotes are anonymous. The whole process was certified by Bureau Veritas, an “independent” third-party paid by BAT.

Challenging the Parliament from within

Health groups refused to be involved in the process. They were
particularly outraged when BAT organised one of its sessions in the heart of the European Parliament in January 2007. Three Commission officials attended the meeting including a member of Health commissioner’s cabinet. Prideaux made the trip from London to attend the session. The meeting was hosted by UK conservative MEP John Bowis.

“We just don’t understand how the European Parliament can watch its own laws being repeatedly challenged and ignored by BAT and then give them a platform to say how socially responsible they are. It’s totally illogical,” commented Luk Joossens from the European Cancer Leagues. Joossens was referring to BAT’s numerous legal challenges to different pieces of EU tobacco legislation, including the 2001 Tobacco Products Directive concerning the use of warnings on packets, the prohibition of descriptions such as “mild” or “light”, the maximum tar, nicotine and carbon monoxide yields, and the prohibition of tobacco for oral use. Those legal challenges were indeed BAT’s last ammunitions in a long lobbying battle that involved, among other things, an undercover letter campaign to UK MEPs (see Box 4).

Box 4 | “Don’t delay, get writing!”

Digging in the BAT documents archive, Corporate Europe Observatory found an internal memo describing a 2000 “Letters to UK MEPs” campaign against the EU Directive on the manufacture, presentation and sale of tobacco products.

The memo was intended “for staff” (of BAT’s UK factories, allegedly) and stressed that BAT was not asking anyone to write a “corporate” letter on behalf of the company: “Every letter should come from you as an individual not as a company representative (...) your letters should be on your own lettered headed or plain paper (...) MEPs receive a lot of mail and its therefore sensible to keep any correspondence concise and ‘punchy’. A single page would be ideal! Generally, hand-written letters, although more time-consuming to prepare, do have more impact with politicians.”

Then the authors gave staff people some headline points they may wish to consider “and rewrite in [their] own way”. Among those arguments: “The directive will effectively export around 9,000 jobs and production into non EU countries”, “The UK and British American Tobacco in particular are being unfairly disadvantaged” or “The main beneficiary is likely to be the world’s largest tobacco manufacturer - the US-based Philip Morris that already has the largest market share in Europe”...

The memo ended with a strong injunction in bold and capital letters: “DON’T DELAY - GET WRITING!”. A call that has at least been heard by trade unionist Dave McKee (MSF Union, Southampton), whose letter was published in the 7 December 2000 edition of European Voice.
The CSR alibi

Indeed BAT’s social reporting process looks like a sophisticated PR strategy to meet and lobby key EU officials out of sight. According to Jacek Siwek, head of BAT Corporate Affairs Europe, “regulators, in a natural way, have a tendency to prefer to talk to associations rather than to individual companies”\textsuperscript{68}. But through this ‘social reporting process’, BAT lobbyists managed to meet and lobby no less than 42 people including six from the Commission and eleven from the Parliament\textsuperscript{69}. All this, of course, as well as BAT’s usual EU lobbying activities through business groups like CECCM, ESTA and ESTOC.

BAT claims that the objective of CSR “is not to affect legislation, therefore any costs associated with it have nothing to do with lobbying”\textsuperscript{70}. But according to the Commission, “contacting members or officials of the EU institutions, organising events, meetings or promotional activities in support of an objective of interest representation” — the very essence of BAT’s social reporting process — are lobbying activities\textsuperscript{71}.

An embarrassing client for some?

In 2007, BXL Consulting declared a total lobbying turnover of €250,000-300,000. Curiously, although BAT’s EU social report was published in September 2007, the company was not credited among BXL’s clients\textsuperscript{72}. Telička told CEO that what he did for BAT was not related to lobbying. Nevertheless, the job Telička accomplished undoubtedly facilitated BAT’s lobbying. His involvement was part of the “activities carried out with the objective of influencing the policy formulation and decision-making processes of the European institutions”, which is how the Commission defines what must be declared in the register of interest representatives\textsuperscript{73}.

In this campaign, BXL’s partner was London and Brussels-based lobbying firm EUK Consulting which in fact orchestrated the whole thing, according to access-to-documents requests filed by CEO. BAT is listed among EUK’s 2008 clients generating a turnover of €50,000-100,000\textsuperscript{74}.

BAT may also be using other public affairs companies to lobby on its behalf — other companies that have also not registered in the lobby transparency register, such as Brussels-based consultancy Pleon (Omnicon)\textsuperscript{75}.

Lobbying the EU through member states

As BAT’s head of Corporate Affairs Europe Jacek Siwek puts it: “You cannot really be successful in engagement with the EU institutions unless you’re also engaged at the member state level”\textsuperscript{76}.

Nowhere is this more true than in Germany, the largest European market for tobacco products after Russia. According to German NGO Forum Rauchfrei, Germany is simply a “paradise for the tobacco industry”\textsuperscript{77}.

Patronage, sponsorship, invitations to festivals, party donations, advertising, dialogue with high-level policymakers, honorary posts: the lobbying toolbox of BAT and the German tobacco industry is rich and varied, buying strong political support in EU’s biggest country. Support at member state or regional level can also exert influence at EU level (see Box 5).

In France, BAT won a successful lobbying battle to fight so-called ‘tax tourism’. French citizens who buy their cigarettes for half the price in Spain are responsible for a yearly tax loss of €3.7 billion, according to a study commissioned and paid for by BAT\textsuperscript{78}. At the same time, tobacco groups in France estimate they lose €400 million as a result of cross-border shopping. This March, French Minister of Budget Eric Woerth announced border controls were being strengthened. The tobacco industry “welcomed” the initiative
of the Minister. “He responded to a real expectation of the industry”, said BAT.

### Box 5 | How BAT illegally bought political support in Germany

German NGO Forum Rauchfrei (Smoke-Free Forum) obtained clear evidence of the close relationship between the tobacco industry and politicians in Germany, which is a key market for BAT (23% of the market share).

Forum Rauchfrei noticed that PR information provided by the tobacco industry was being disseminated by politicians in Germany. During initial negotiations on a law to protect non-smokers in 2006, a position paper was circulated that was identical — including the spelling mistakes — to a paper published by the Association of the German Cigarette Industry (VDC).

Germany has long been — and still is — the Trojan horse of the tobacco industry in Europe. “In contrast with other high-income countries, the tobacco industry remains a credible partner and continues to enjoy close links to German politicians”, note Thilo Grüning and Anna Gilmore from the London School of Hygiene & Tropical Medicine.

To continue business as usual, the tobacco industry provides donations and advertising budgets to political parties. According to the Bundestag, the tobacco industry made donations of €247,220 to German political parties between 2001 and 2004. But these published figures do not include the numerous donations of less than €10,000, Forum Rauchfrei explained. For example, every year, the tobacco industry donated €4,500 to the Representation of Lower Saxony in Brussels “for a green kale dinner and an asparagus dinner”, according to the NGO.

The Social Democratic Party (SPD) newspaper, Vorwärts, also received €90,000 in 2006 for running tobacco industry advertisements. In 2007, more adverts appeared, even though new rules (Directive 2003/33/EC) meant this was against the law.

Some of the adverts (see Annex 4) were part of a PR campaign run by BAT Germany including a video promoting “technical solutions” to improve air quality. At the same time a non-smoking law which permits smoking rooms in public establishments was adopted in the Bundestag by a large majority.

That law is typical of BAT’s EU strategy on limiting public exposure to environmental tobacco smoke (ETS): promoting ‘soft law’ at EU level to prevent any harmonisation, and then “committing” to lobby at national level to get the weakest binding legislation in each country. According to BAT and its main lobbying vehicle CECCM, “the most efficient policy option is a Commission or Council Recommendation” setting out minimum requirements for member states. Then CECCM members “commit to working with individual member states on the rapid and efficient implementation of such a recommendation in the form of binding legislation at national level”.

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Obscured by the smoke - BAT’s deathly lobbying agenda in the EU, Corporate Europe Observatory, June 2009
Conclusion

Of course the exact amount spent by BAT on EU lobbying is difficult to estimate. BAT’s lobbying tools are diffuse and varied. But there is no doubt that BAT’s contributions to think tanks, industry associations and member state activity total more than the amount BAT declares in the EU register.

In under-estimating its lobbying expenditure in this way, BAT is exploiting the ambiguity of the Commission’s guidelines. In particular, it is exploiting the instructions on double-counting of lobbying costs, exposing one of the many flaws in the voluntary registration scheme. BAT has clearly failed to ensure that some of its contributions to lobby groups are disclosed by the lobby groups themselves.

BAT has also failed to report its expenditure on activities which it describes as “corporate social responsibility” (CSR). Under the euphemism of “EU stakeholder dialogue”, BAT has been able to directly access EU policy makers and put forward its views on legislation under discussion. By disguising this contact as CSR, BAT clearly contravenes the Commission’s definition of “lobbying”.

Why does this matter?

This report highlights just some of BAT’s attempts to influence the legislative process at EU level and also in the member states. The fact that these activities are primarily hidden from the public is one reason for concern, but this is overshadowed by the more damaging fact that BAT’s lobbying activities are so blatantly not in the public interest. The EU is responsible for legislation designed to protect public and consumer health. BAT is a engaged in marketing a product that is clearly damaging to public health.

Unless effective measures are implemented to help current smokers quit and prevent young people from smoking, tobacco use is set to kill 10 million people by 2020 in the world and one billion this century, according to the WHO.

BAT, and other companies engaged in similarly damaging activities, should not be allowed to influence a debate in which they have such blatant commercial interests. And the EU has no business in allowing them into such debates.
Established in 1902 when the United Kingdom’s Imperial Tobacco Company and the American Tobacco Company agreed to form a joint venture, British American Tobacco (BAT) introduces itself today as “the world’s most international tobacco group”, with around 300 brands sold in more than 180 markets. International brands include Lucky Strike, Pall Mall, Dunhill, Kent, Vogue, Rothmans, Peter Stuyvesant, Benson & Hedges, Winfield, John Player, State Express 555, KOOL, and Viceroy.

Based in London, UK, BAT is listed in the FTSE 100 Index with a market capitalisation exceeding £34.4 billion (€39.2 billion) as of 26 May 2009. The company employs 54,000 people worldwide including approximately 10,000 in the EU. In 2007, 684 billion BAT cigarettes were sold in the world, 35.8% in Europe.

BAT held a 17.1% share of the international cigarette market in 2007, and is the world’s second-biggest publicly traded cigarette maker behind Philip Morris International which holds a 18.7% share. The World Health Organisation (WHO) puts the global annual death toll from tobacco today at 5 million, of which half die before age 65. That is 855,000 deaths a year attributable to BAT products.
Annex 2 | BAT’s EU loudspeakers

CECCM. BAT is a prominent member of the Confederation of European Community Cigarette Manufacturers (CECCM), “the primary source of tobacco expertise in the EU”. Created in 1988 in London at BAT’s request, the professional association which is now based in Brussels, today represents three major cigarette manufacturers in Europe — BAT, Imperial Tobacco and Japan Tobacco International — as well as 13 national manufacturers’ associations from EU member states. CECCM, which only set up a website in January 2008, has two lobbyists accredited to the European Parliament (EP), and declared €300,000-350,000 in EU lobby spending in 2007.

ESTA. Through its German, French, Belgian and Dutch subsidiaries, BAT is also a prominent member of the European Smoking Tobacco Association (ESTA). Founded in 1990, ESTA represents the interests of the European manufacturers, distributors and importers of ‘fine-cut’ (rolling) tobacco, pipe tobacco, chewing tobacco and nasal snuff tobacco. ESTA is chaired by Michael Kraushaar of BAT The Netherlands. The lobby group employs at least three people in its Brussels office at Rond-Point Schuman and has three lobbyists accredited to the EP. It allegedly spent €300,000-350,000 on EU lobbying in 2007.

ESTOC. BAT has been the leading member of the European Smokeless Tobacco Council (ESTOC) since 2005. ESTOC’s objective is “the worldwide legalisation of Swedish Snus and other lower risk smokeless tobacco products, based on a regulatory framework”. ESTOC’s board of directors is chaired by BAT’s Tomas Hammargren, ESTOC’s Scientific committee is lead by BAT’s Justine Williamson and the Communication and policy committee by BAT’s Henrik Broström. ESTOC appears to employ 14 people in its Boulevard Saint-Michel office, has no lobbyist accredited to the EP and is absent from the EC Register of interest representatives.

ECMA. Through its Belgian and Dutch subsidiaries, BAT is also a member of the Eindhoven-based European Cigar Manufacturers Association (ECMA). ECMA has no lobbyist accredited to the European Parliament and declared less than €50,000 expenditure on EU lobbying in 2008.

Tobacco House. Through CECCM, BAT was a member of the highly secretive Tobacco House, an umbrella organisation federating the different branches of the tobacco industry in the EU capital (growers, transformers, manufacturers, retailers...) until 2005. The very existence of the Tobacco House, created in October 1999, can only be found through former secret documents from cigarette manufacturers now available to the public as a result of legal action. The Tobacco House has no website, no lobbyist accredited to the EP and does not feature in the EC register of interest representatives. A founding member, CECCM left the Tobacco House in 2005 because “it was a too broad umbrella group and it was not interesting to participate in the discussions.”
Annex 3 | BAT’s “third party” strategy exposed

“Put your words in someone else’s mouth”: this is how the so-called “third party technique” is commonly defined. PR Watch’s Anne Landman describes it as “a massive, decades-long public relations plot to gain political support from diverse groups that under normal circumstances would never come to the aid of a tobacco company”\(^{108}\). Arts, sports, science, NGOs, EU stakeholders... all can be instrumentalised to serve the interests of a company. And this is one of BAT’s core PR principles.

- On the **social** front, BAT provides financial support for the Eliminating Child Labour in Tobacco Growing Foundation. The company was one of the very last British companies to leave Burma\(^{109}\) — where its lowest paid workers made £16.10 (€18.25) a month on average\(^{110}\) — and it has secretly been operating a factory since 2001 in North Korea\(^{111}\), a country which is regarded by some as having the worst human rights record in the world.

- On the **environmental** front BAT created and funds the British American Tobacco Biodiversity Partnership, a platform of four NGOs — Earthwatch Europe, Fauna & Flora International, Royal Botanic Gardens Kew and the UK Tropical Biology Association. In 2004, the company has been accused of “encouraging forest destruction” in Uganda through “heavy use of dry wood to cure processed tobacco” and of “damaging the health of rural communities” in Brazil and Kenya through “encouraging the use of dangerous pesticides”, in many cases “without proper protection”\(^{112}\).

- On the **cultural** front, while the hundred-year-old company’s legacy to society will be dozens of million deaths, BAT is a “major donor” to the World Monuments Fund\(^{113}\), which supports restoration work on important historic buildings in Russia and China. The company is also “corporate partner” of the London Symphony Orchestra\(^{114}\).

- On the **scientific** front and in line with its CSR roadmap, BAT has developed partnerships for the sole reason “to get third party advocacy of BAT as a responsible tobacco company within the scientific community through recognition that [it is] trying to reduce the health risks associated with [its] products”\(^{115}\). After the tobacco industry had severely abused the WHO\(^{116}\), BAT funded scientists in the US, Canada, Germany, Russia and Italy, as well as the Institute for Science and Health, a not-for-profit scientific research trust in the US\(^{117}\).
Annex 4 | BAT advertisement promoting “technical solutions” to avoid environmental tobacco smoke in public places. Published in the May 2007 edition of Vorwärts, the monthly newspaper of the German Social Democratic Party (SPD)

Gute Luft für gute Gastronomie.

Verbesserte Luftqualität durch technische Lösungen.

Die meisten Nichtraucher und Raucher möchten rektoliterale ihrer Ablenkung in der Gastronomie gestatten. Wir haben eine einfache, aber effektive Möglichkeit gefunden, dieses Problem zu lösen.

- Stützflächen für Tabak und Tabakprodukte, die angenehme und feuchte Luftqualität garantieren
- Die Ergebnisse sind auf unserer Website abrufbar
- Wir sind bereit, zu jeder Zeit zu helfen

Für weitere Informationen steht Ihnen Mitarbeiter der BAT unter folgenden Kontaktadressen zur Verfügung:

E-Mail: service@bunt.de  Telefon: 06051-2222845

Obscured by the smoke - BAT’s deathly lobbying agenda in the EU, Corporate Europe Observatory, June 2009

8 Telephone interview with Natasha Waltke, BAT’s CSR Manager Europe, 6 March 2009.

9 Claiming that snus was an indispensable part of the Swedish cultural heritage, Sweden managed to get a permanent exemption from the snus ban written into the Swedish accession treaty of 1995. Snus use is popular in Sweden, Denmark and non-EU member Norway.

11 http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20090408/090408/20090408hub=Health
18 In comparison, BAT’s main competitor Philip Morris International has four accredited lobbyists to the EP but did not subscribe to the EC Register of interest representatives.
20 As of 27 May 2009.
21 http://business.timesonline.co.uk/tol/business/article1003012.ece
24 Obscured by the smoke - BAT’s deathly lobbying agenda in the EU, Corporate Europe Observatory, June 2009
26 g%20the%20role%20of%20science%20in%20EU%20decision%20making%20%20(revised).pdf
27 http://ec.europa.eu/governance/better_regulation/index_en.htm
28 http://www.iarc.fr/en/Media-Centre/IARC-Press-Releases/Archives-2006-
30 4694+0+DOC+XML+V0+EN&language=EN
31 http://www.philipmorrisoninternational.com/global/media/PC/PMI_selectSlides_031108.pdf
38 http://ec.europa.eu/transparency/index_en.htm
39 Prideaux was appointed director of CORA in 1998.
41 From July 1988 to November 1990. Then he was Chancellor of the Exchequer (British title for minister of economic and financial affairs) from 1993 till May 1997.
42 http://www.bat.com/group/sites/UK__3MNfen.nsf/vwPagesWebLive/F5AE03E3BB591A1E
43 C12573140052EE6E
46 MD5PRUNF.pdf
51 MD5PRUNF.pdf
52 The Dow Jones Sustainability Indexes (one covering the world, the other Europe) track the
economic, environmental and social performance of transnational companies. It is a joint-venture between Dow Jones Indexes, STOXX Limited and the Sustainable Asset Management Group.

55. From May to October 2004. When the Czech Republic entered the EU on 1 May 2004, Telčka became EU commissioner in the Prodi Commission, sharing the portfolio of Health and Consumer Protection with David Byrne.
56. Email from Pavel Telička, 10 March 2009.
57. CPMK
59. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
60. Chatham House, formally known as The Royal Institute of International Affairs, is a leading foreign policy think tank; http://www.chathamhouse.org.uk/about/chathamhouseerule/
61. Mr Erdem Erginel, according to information obtained through access to documents requested under the information disclosure regulation. The other two were Lourdes Chamorro (DG SANCO) and Louis Bouthors (DG Enterprise).
64. http://legacy.library.ucsf.edu/tid/mpx92a99
65. europeanunionvoice.com/Article/41784.aspx
67. Six from the Commission (DG Sanco, DG Enterprise, DG Environment), 11 from the Parliament, 8 from Permanent Representations, 4 from social partners and other public bodies, 8 from business associations and 5 from the scientific community.
68. Email from Mariana Ikonomidou, Corporate Affairs Manager for Europe, 16 March 2009.
73. Vom Glück, käuflich zu sein”, Die Presse, 8 May 2009; Obscured by the smoke - BAT’s deathly lobbying agenda in the EU, Corporate Europe Observatory, June 2009
77. From May to October 2004. When the Czech Republic entered the EU on 1 May 2004, Telčka became EU commissioner in the Prodi Commission, sharing the portfolio of Health and Consumer Protection with David Byrne.
78. Email from Pavel Telička, 10 March 2009.
81. The world leader is the state-owned China National Tobacco Co. (CNTC) with a 33.7% share in 2003 (source: The Tobacco Atlas 2003).
82. Mr Erdem Erginel, according to information obtained through access to documents requested under the information disclosure regulation. The other two were Lourdes Chamorro (DG SANCO) and Louis Bouthors (DG Enterprise).
83. John Bowis was named, along with BAT, in the EBPS scandal in 2008; http://www.teameurope.info/node/262
86. http://www.bat.de/oneweb/sites/BAT_677KXQ.nsf/vwPagesWebLive/DO726CPG?
87. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
89. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
91. http://www.bat.de/oneweb/sites/BAT_677KXQ.nsf/vwPagesWebLive/DO726CPG?
92. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
94. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
96. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
98. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
100. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
102. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
104. Committee on Environment, Public Health and Food Safety, Committee on Internal Market and Consumer Protection, Committee on Industry, Research and Energy, Committee on Budgetary Control, Committee on Transport and Tourism, Committee on Civil Liberties, Justice and Home Affairs, Committee on Economic and Monetary Affairs, Committee on Employment and Social Affairs, Committee on Culture and Education, Committee on Legal Affairs.
According to the team picture on the front page of the ESTOC website; http://estoc.org/estoc.asp.


The founding associations are: Union internationale des planteurs de tabac (UNITAB), Fédération européenne des transformateurs de tabac (FETRATAB), Confederation of European Community Cigarette Manufacturers (CECCM), Groupement des industries européennes du tabac (GITES) and Confédération Européenne des Détailants en Tabac (CEDT).

http://legacy.library.ucsf.edu/tid/bnm81c00

Phone conversation with Antonella Pedeviva, secretary general of CECCM, 7 April 2009.

http://www.sourcewatch.org/index.php?title=Third_party_technique

http://news.bbc.co.uk/2/hi/business/3246875.stm

http://www.guardian.co.uk/business/2003/may/08/burma.internationalnews

http://www.guardian.co.uk/uk/2005/oct/17/northkorea.smoking


http://lso.co.uk/aboutus/supportingthelso/ourpartners

http://legacy.library.ucsf.edu/tid/dew70a99


http://www.ifsh.org/New/Sponsors.asp