

THE USE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) STRATEGIES BY THE TOBACCO INDUSTRY (TI) TO INTERFERE IN THE FIGHT AGAINST ILLICIT TRADE

REPORT 2: TOBACCO ILLICIT TRADE

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STOP Project – The use of corporate social responsibility (CSR) strategies by the tobacco industry (TI) to interfere in the fight against illicit trade

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Background

The illicit trade in tobacco products is a major global concern for public health, the economy, and public safety. It undermines tobacco control policies, particularly concerning tax. As illicit tobacco products are not taxed or regulated, they do not have health warnings or packaging and labeling requirements, favoring their consumption.¹ Like other regions in the world, the illegal cigarette trade in Mercosur^{1,2} practices lower average prices when compared to taxed cigarettes.³ Furthermore, the increased access to cigarettes via the informal market, together with the lower prices of smuggled products, encourages the consumption of cigarettes by young and low-income populations.^{1,4}

It is estimated that 1 in 10 cigarettes and tobacco products consumed worldwide comes from illicit trade.⁵ From 2030 on, more than 164,000 premature deaths could be prevented each year if global illicit trade was eliminated.⁶ Likewise, it is estimated that governments would collect at least \$31 billion in taxes per year.⁶

Illicit trade is also profitable for criminal groups, which use the resources from smuggling to finance more criminal activities.⁷ In the last decade, with the introduction of electronic smoking devices (ESDs), the illicit trade in ESDs has also become part of the problem. On the one hand, ESD marketing, distribution, and import are prohibited in at least 36 countries,⁸ where an abundance of stores sell ESDs and their accessories illegally.^{9,10} On the other hand, illicit trade in ESDs also takes place in markets where they are legally marketed, like the illicit trade in cigarettes or other tobacco products.¹¹

In Brazil, the increase in the tobacco product price defined by Brazil's tax and price policies is a tobacco control measure to prevent initiation and promote smoking cessation.¹² In recent years, it has led to the reduction of smoking prevalence. However, due to the proximity to countries with more affordable taxes and prices, the illicit trade in cigarettes in Brazil has increased.¹³ Data from the Brazilian Internal Revenue Service confirm this, showing that smuggled cigarette seizures have grown in recent years. In 2018, 108.30 million illegal packs were seized in

¹ Trade block established by the Treaty of Asunción in 1991, signed by the Argentinian, Brazilian, Paraguayan and Uruguayan governments

Brazil.¹⁴ In 2019, this number reached 113.34 million.¹⁴ In 2020, the number soared to 122.58 million seized packs.¹⁴ Data collected up to September 2021 show that about 59.44 million packs were seized this year.¹⁴

One of the Brazilian studies to estimate the magnitude of tobacco consumption before and after 2012 evaluated the impact of cigarette taxation on smuggling.¹² The results showed that between 2008 and 2013, there was a reduction in the prevalence among regular daily smokers (from 13.3% in 2008 to 10.8% in 2013).¹² Nonetheless, the study indicated an increase in the consumption of illegal cigarettes in the same period, taking into account gender, age, educational level, and place of residence.¹² Between 2008 and 2013, the proportion of illegal cigarette use increased from 16.9% to 32.3%.¹² In 2013, the consumption of cheaper illicit cigarettes was observed mainly among individuals with incomplete elementary education (42.1%) and those living in border states (40.8%).¹²

A study by Szklo et al. showed that there was a rise in the illicit market size and a drop in the consumption of legal cigarettes and the proportion of urban smokers between 2014 and 2016.¹⁵ However, between 2016 and 2017, there was a decrease in the consumption of illicit cigarettes in Brazil, although the total annual cigarette consumption increased.¹⁵ The study also pointed out that Brazil experienced a temporary increase in the population's purchasing power, unlike between 2014 and 2016. Neither excise duties on tobacco products nor the cigarette minimum price was increased in 2017.¹⁵ Furthermore, there were also no improvements in reducing the amount of illegal cigarettes from Paraguay, a country with lower taxes and production costs than Brazil.¹⁵ The study concluded that smokers who migrated to cheaper illegal cigarettes could be trying to quit smoking and reinforced the importance of raising taxes on tobacco products.¹⁵

In 2021, a study published by the Center for Tobacco and Health Studies (Cetab), using two methods of direct observation of smokers' packs, estimated the consumption of illegal cigarettes in the following cities in Brazil: Rio de Janeiro, São Paulo, João Pessoa, Belo Horizonte, and Campo Grande.¹⁶ The study concluded that Campo Grande had the highest illegal cigarette consumption percentage (70.1%), followed by Belo Horizonte (66.3%), João Pessoa (55.3%), São Paulo (46.3%), and Rio de Janeiro (30.4%). It also showed that illegal cigarettes were predominantly produced in Paraguay and illegally exported to Brazil. The study also reported that the most consumed cigarette brand in all cities was illegal, and the name of the producing company and country of origin were included in most packages.¹⁶

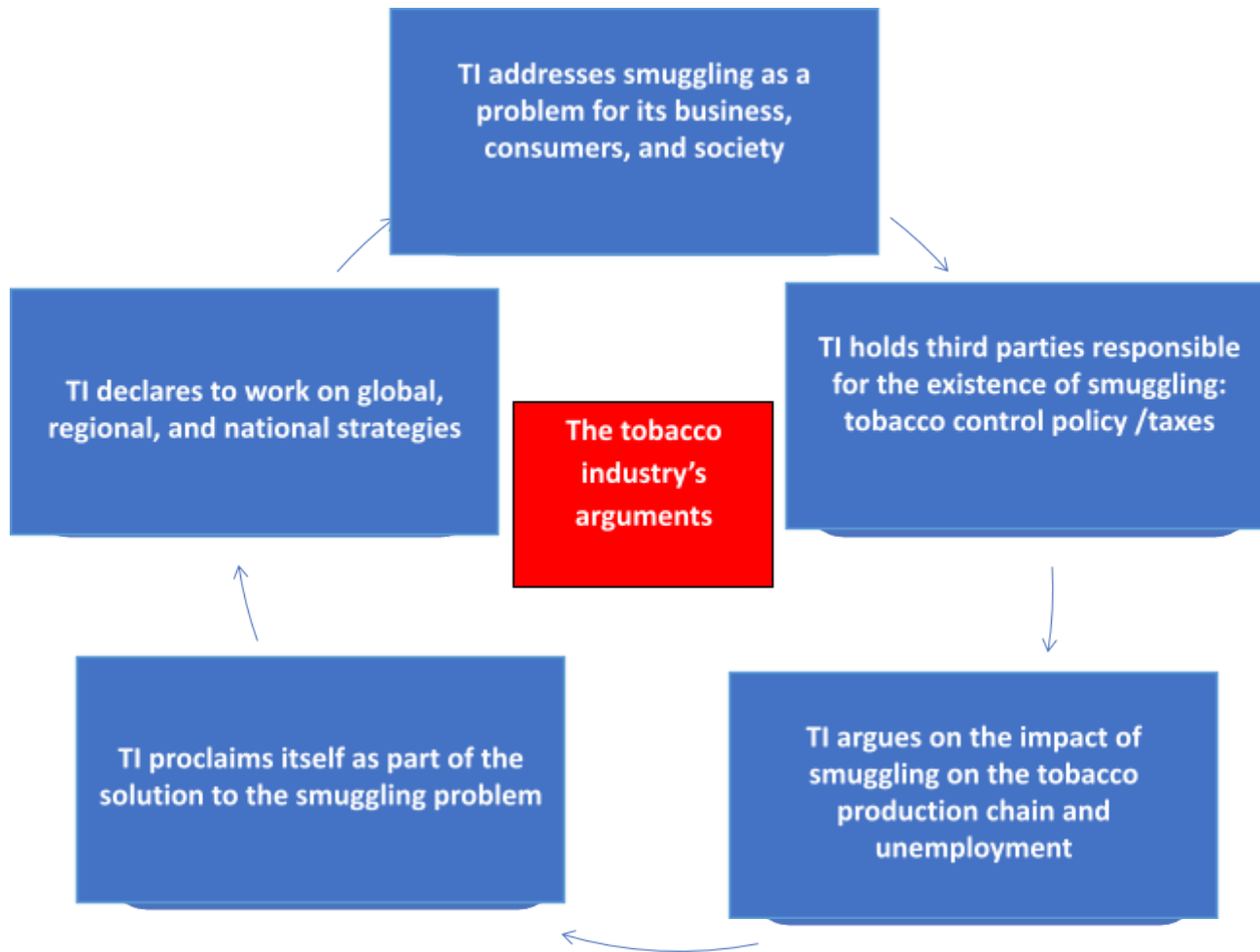
How the tobacco industry approaches smuggling

TI has a multifaceted relationship with smuggling (**Figure 1**). First, it argues that smuggling creates problems for its business, consumers, and society. Then, it assigns responsibilities to other actors and blames tobacco control policies in general and high cigarette taxes in particular

as the main villains.^{14,17} It also points out the impact these measures can have on the entire production chain and cigarette distribution, including how much smuggling impacts the fall in job creation.¹⁷ Next, it promotes itself as part of the solution at a national, regional, or global level. This includes: sponsoring MOP's² news coverage, lobbying for Brazil's position on implementing the Protocol to Eliminate Illicit Trade in Tobacco Products, behaving as if it were a government partner, using front groups to promote its agenda, funding and promoting studies that estimate the illicit trade size, creating global systems to track and trace tobacco products, and advertising these systems to governments.¹⁴ Some of these strategies have a national focus; others have a global approach and can be individualized in certain countries. However, global, regional, and national approaches are intrinsically connected as the most extensive regulatory effort to combat smuggling is concentrated at the national level. Brazil has been a legally bound Party to The Protocol to Eliminate Illicit Trade in Tobacco Products (hereafter referred to as the Protocol) since 2018.¹⁸ The Protocol contains comprehensive measures to address national and cross-border aspects of illicit trade, promoting international cooperation.¹⁹ Among its measures, it advises its Parties not to leave TI as the entity responsible for combating smuggling, which must be the responsibility of governments.¹⁹

Figure 1 - The tobacco industry's approach about smuggling: arguments

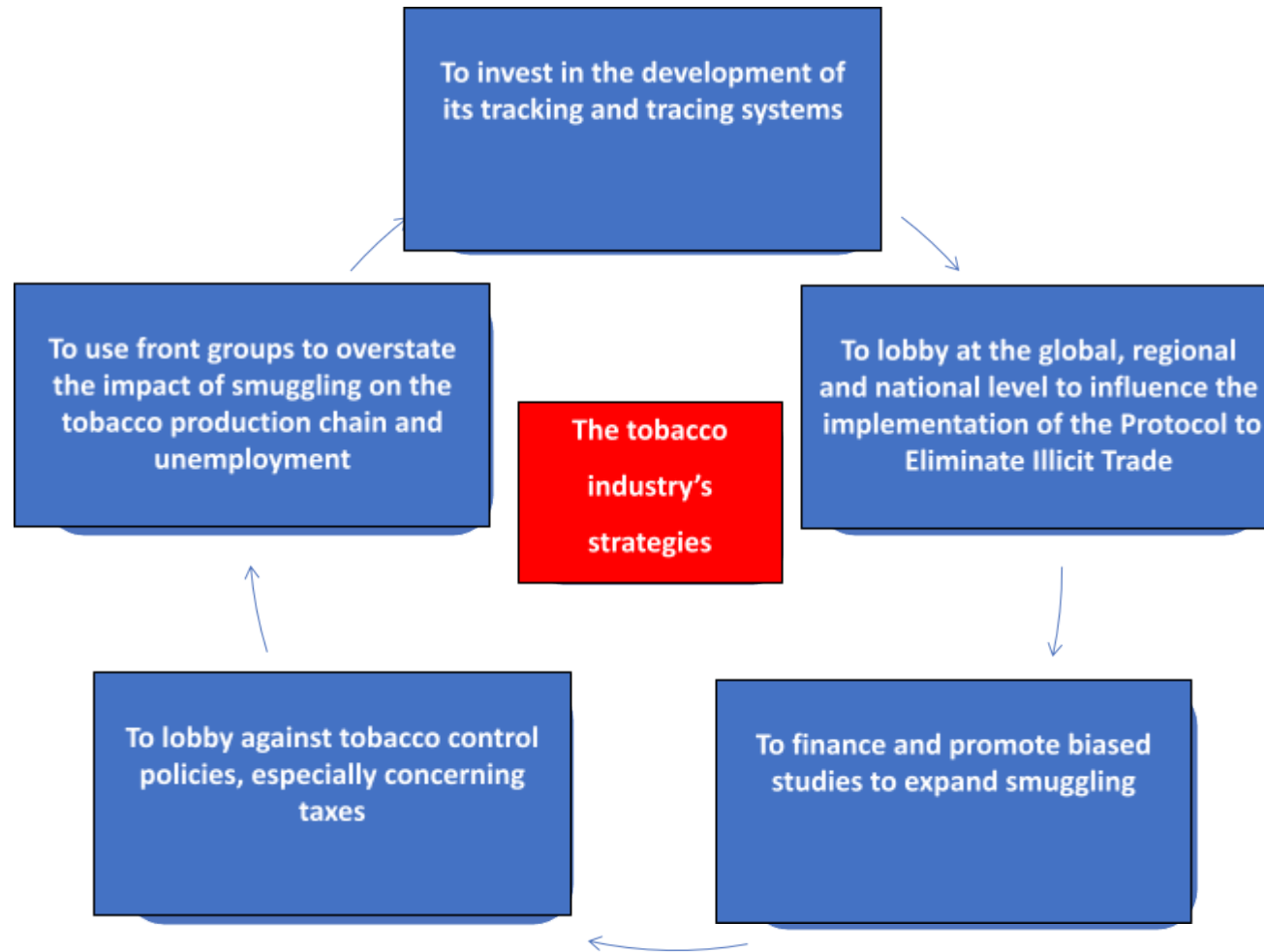
² Meeting of The Parties, governance body of the Protocol to Eliminate illicit Trade in Tobacco Products, comprised by all the Parties to the Protocol



Global approach

The WHO Framework Convention on Tobacco Control (WHO FCTC) has had articles to reduce the supply of tobacco products since its conception, such as article 15, which addresses illicit trade. TI also organized itself internationally to propose measures to control and serve its interests. The industry's initiatives and approach on combating illicit trade in tobacco products can be summarized in five principal strategies:

Figure 2 - The tobacco industry's approach about smuggling: strategies



1. To invest in the development of its tracking and tracing systems: to present a global tracking system to trace cigarettes as a way to control the illicit trade in tobacco products.

TI has created a tobacco product tracing system called Codentify to help determine whether a tobacco product in transit would be authentic or counterfeit and promote international standards to combat smuggling, counterfeiting, and tax evasion.^{14,20} Codentify was developed and promoted by Philip Morris International (PMI) and subsequently licensed to British American Tobacco (BAT), Imperial Tobacco Group (ITG), and Japan Tobacco International (JTI).¹⁴ Together, these companies comprise a pan-industrial working group called “The Digital Coding and Tracking Association” (DCTA) to promote Codentify.^{20,21} One of the organizations targeted by DCTA was Interpol, which accepted 15 million euros from PMI in 2011. In 2012, Interpol announced that it would work with DCTA to make Codentify accessible through its global communication systems.²¹ By promoting Codentify, TI wants to control the system for cigarette smuggling. Therefore, the industry would have control of global anti-illicit trade measures, which would be problematic due to the TI’s history of facilitating tobacco smuggling.^{20,22} In addition, Codentify is not an accurate tracking and tracing system as defined by the Protocol, as it does not meet the standards of several of its articles that require information about the supply chain process, including shipping date, destination, and starting point.^{20,22} Finally, one of Codentify’s objectives is to abolish government-controlled tax stamps, further removing governments’ authority and control over tobacco tax administration.²¹

2. To lobby at the global, regional and national level to influence the implementation of the WHO FCTC Protocol to Eliminate illicit Trade in Tobacco Products.

The Protocol to Eliminate Illicit Trade in Tobacco Products is based on FCTC Article 15 and reckons that eliminating all forms of illicit trade in tobacco products is essential for effective tobacco control.¹⁹ TI presents itself as a partner in implementing the Protocol and displays its support for combating illicit trade and the Protocol implementation on its websites.^{23,24} However, during the Protocol negotiations, TI developed strategies to undermine the implementation of its policies, e.g., the development and promotion of Codentify. Furthermore, after the adoption of the Protocol, TI continued to promote its own actions to fight against illicit trade publicly.²⁵ Thus, by promoting Codentify and attempting to control information on the tracking and tracing of tobacco products while making its support for the implementation of the Protocol public, TI conveys the idea that the Protocol ratification is not an essential measure for eliminating illicit trade in tobacco products and tries to divert attention from the necessary steps for the Protocol ratification and implementation.²⁵ This pattern is repeated at the national level. Figure 3 shows the image of the sponsors of several articles published by the newspaper *Gazeta do Sul* in Rio Grande do Sul and issued in

the tobacco growing area, vouching for TI's interests in Brazil during the discussions at MOP2 to the Protocol to Eliminate Illicit Trade Protocol in Tobacco Products held in Geneva in November 2021.²⁶



Figure 3 - MOP2 (Illicit Trade) coverage by *Gazeta do Sul* sponsored by entities representing TI and its interests

3. To finance and promote biased studies to overstate smuggling size

The illicit trade in tobacco products is difficult to measure due to their illegality, which entails data collection and analysis complexity.^{27,28} Moreover, public data on illicit trade in tobacco products in many countries are limited and, in many cases, non-existent.^{28,29} In this context, TI has become a significant funder of data collection on illicit trade, often requesting reports that provide estimates of illicit trade in a given geographical area.³⁰ One of its initiative is the global PMI IMPACT, launched by Philip Morris International in 2016. Its goal is to support organizations in developing and implementing projects against illicit trade in tobacco products and related crimes.³¹ TI's purpose of financing data collection on illicit trade and present studies that erroneously represent the illicit trade size is to come up with scant evidence against policies that increase specific taxes on tobacco or regulate tobacco products.³²

4. To lobby against tobacco control policies, especially concerning taxes

TI has disclosed its involvement in activities to fight against illicit trade in several countries during seminars and workshops for government officials, especially customs ones.²⁵ It also organized a conference on illicit trade for government officials in Jordan, Lebanon, Syria, and Yemen.²⁵ The core message at all these meetings was the role of tax increases in stimulating smuggling. So, the industry disseminated misleading information on the relationship between smuggling and taxes and lobbied governments to reduce taxes on tobacco products to discourage illicit trade.

5. To use front groups to overstate the impact of smuggling on the tobacco production chain and unemployment

TI has developed partnerships and projects with international bodies such as Interpol and the World Customs Organization (WCO), especially as part of efforts to promote its solutions, including Codentify.²² Through these institutions, the industry disseminates inflated information on the illicit trade extent, and thereby manipulates governments by presenting their data, seeking the image and its partners' respectability in confronting the illicit trade in tobacco products.^{17,25}

TI's corporate social responsibility (CSR) strategies and the fight against illicit trade in Brazil

The goal of this document is to analyze the CSR strategies used by TI in fighting against illicit trade in Brazil.

Definitions

This document uses the definition on illicit trade from the Protocol to Eliminate Illicit Trade in Tobacco Products and the Framework Convention for Tobacco Control, which defined it as “any practice or conduct prohibited by law and which relates to production, shipment,

receipt, possession, distribution, sale or purchase including any practice or conduct intended to facilitate such activity.”¹⁹ Yet, there is no consensus on the definition of illicit trade categories. The World Bank, for example, has defined illicit trade in three product categories:¹

1. Smuggled goods: products that are legally produced by a manufacturer but diverted and sold illegally in another market.
2. Counterfeit: products that bear a manufacturer’s brand without its legal consent.
3. Illicit whites: products that are produced and taxed legally for local consumption but are sold illegally in another country.

In Brazil, illicit trade is classified according to current legislation: Penal Code - Decree No. 2,848/40 and Law No. 13,008/14.³³ It takes into account the production, distribution, and marketing of tobacco products, presented in five contravention categories:

1. Smuggled – Art. 334-A. It refers to importing or exporting prohibited goods. ESD marketing is characterized as smuggling. When it comes to cigarettes, smuggling refers to importing brands that are not marketed in their country of origin.
2. Non-duty paid – Art. 334. When import and export are allowed without legal restrictions. The operation occurs without duty or tax payment.
3. Counterfeit – It refers to a form of illicit production in which manufactured products bear a brand without the consent of its owner.
4. Irregular – tobacco products produced by apparently regular companies or regular importers, but that do not present registration data at ANVISA or are in disagreement with the existing registry.

For the purposes of this document, we will work with the definition used in the Brazilian context.

Bower defined CSR (1957)³⁴ as the adoption of attitudes, postures, decisions, and values that some companies employ to value their image before society. When referring to the tobacco industry, we can classify CSR into three layers: corporate philanthropy (financing programs involving smuggling), risk management (offering a tracking and tracing system), and value generation (partnering in the fight against illicit tobacco trade).³⁵ Thus, the industry has used CSR strategies in three major approaches:

1. Corporate philanthropy – TI funds conferences, training, research, the international police, and anti-corruption organizations to associate its name with actions to end the illicit tobacco trade.³⁶

2. Risk management – Transnational tobacco companies seek control of the production chain by creating and promoting a tracking and tracing system. Claiming to be interested in controlling the global tracking and tracing system to reduce smuggling, Philip Morris International adapted and licensed its pack marker system (Codentify) to its competitors at no cost. Subsequently, they promoted it collectively to governments, using front groups and third parties.³⁶
3. Value creation - TI aims to be seen as “part of the solution” in combating illicit tobacco products and not as “part of the problem,” as it really is.³⁷ Therefore, it sets itself as a key partner in implementing the Protocol but uses several strategies to undermine tobacco control measures.³⁶

Methodology

This document consists of an analysis of publications on illicit trade in tobacco products from 2009 to 2021. The publications comprise material from academic research (e.g., abstract, report, annotation, scientific article, review, monograph), traditional media (e.g., radio, television, newspapers, pamphlets), and digital media (e.g., social media, blogs, YouTube channels, e-mail). The following descriptors were used: illicit trade OR smuggling; AND CIGARETTES OR tobacco OR smoking; AND tobacco industry OR smoking or smoking industry; AND corporate social responsibility. The Access to Information Law was also used to look for links between government bodies, organizations, and people and the tobacco industry in Brazil (Philip Morris International, British American Tobacco, Japan Tobacco International, China Tobacco, among others), using CSR strategies in order to promote its interests.

Preliminary results

Tobacco companies have facilitated cigarette smuggling for decades. Internal documents reveal that smuggling was part of their business strategies in the 1990s.³⁸ In the late 1990s and early 2000s, the tobacco industry's involvement in smuggling was exposed, leading to public investigations, lawsuits, and highly damaging publicity. Using a broad public relations campaign, the industry claimed that it had changed and was now a victim and not a perpetrator of tobacco smuggling. Nevertheless, current evidence indicates that they are still involved in the illicit tobacco trade.³⁹

The tobacco industry seems to still benefit from tobacco product smuggling because:

1. Tobacco companies are paid for the product, whether smuggled or not. In other words, they are paid when they sell to the distributor, regardless of whether they are marketed legally or illegally.
2. The smuggled product's average price is lower than the legal ones, which discourages cessation and increases total sales, especially among the young and the less favored – primary targets of tobacco policies.
3. The industry uses smuggling as a marketing strategy where imports are restricted or taxes are high. It smuggles to avoid them.

The European Union (EU) has adopted measures against several tobacco companies in the United States based on legislation about organized crime, extortion, and corrupt organizations. In 2004, an agreement was reached. Philip Morris was forced to pay about \$1 billion over 12 years and control cigarette smuggling through various measures.⁴⁰ In the following years, agreements were made with other companies. Still, evidence has suggested that these agreements have served the tobacco industry better than the European Union and the EU started to go back on them.⁴¹

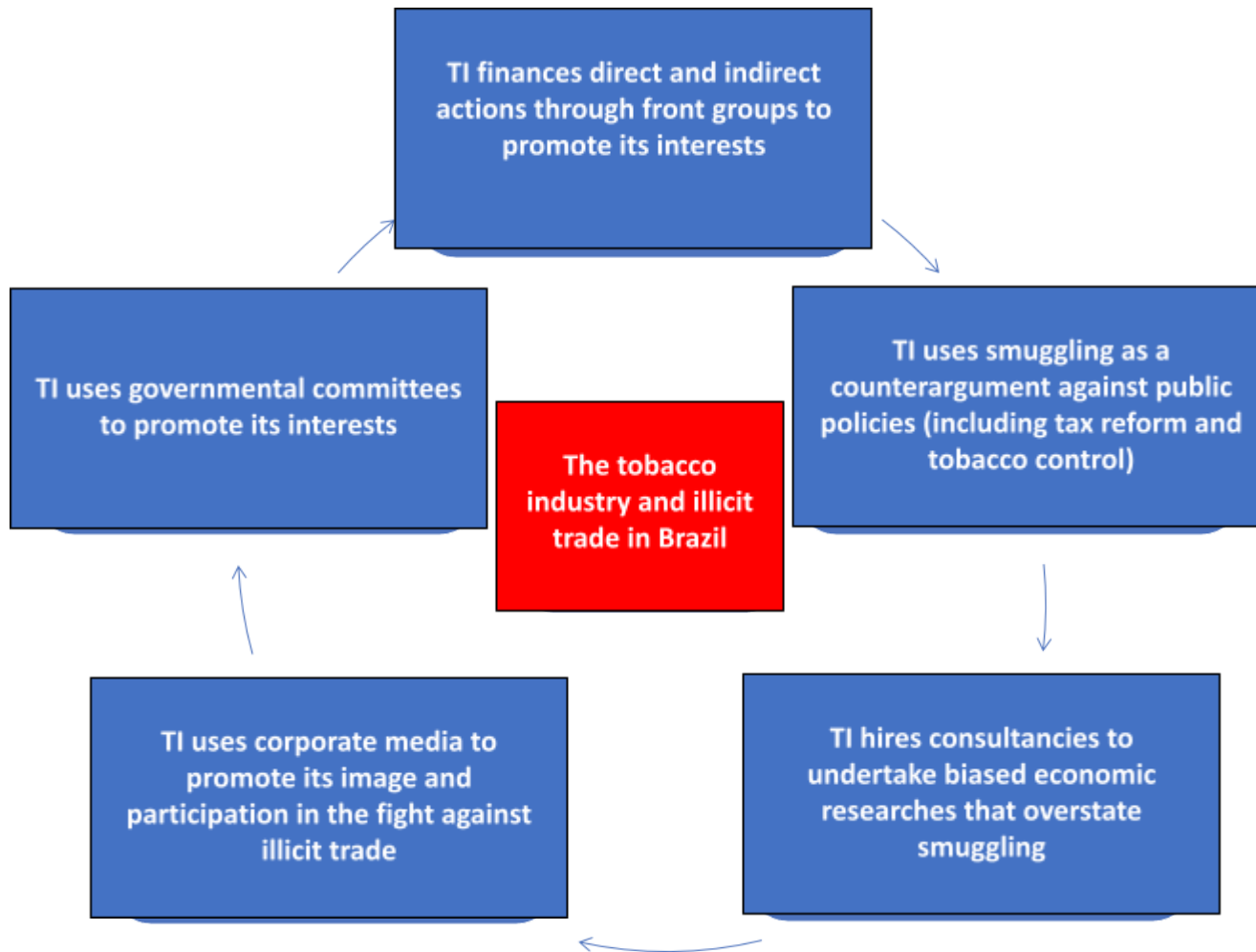
According to a study on the tobacco industry's internal documents focusing Mercosur,⁴² there is evidence of transnational companies' long complicity in illicit trade in the region and the consequent Paraguayan production growth. Four phases were identified in the illicit tobacco trade involving Paraguay, Argentina, and Brazil: 1) Paraguay appears as a transit center for BAT and PMI's cigarette smuggling from the USA to Argentina and Brazil (from the 1960s to the mid-1970s); 2) BAT and PMI competed for market share in northeastern Argentina (1989-1994); 3) BAT and PMI competed for market share in southern and southeastern Brazil (mid-1990s); and 4) there was a growth in the illicit trade in Paraguayan manufactured cigarettes (from the mid-1990s on). The study concludes that transnational corporations seeded illicit trade and that the supply and demand system for lower-priced brands developed by the industry in the 1990s created a business opportunity for cigarette manufacture in Paraguay.

Public opinion rules society, and TI devotes considerable financial resources to try and put it in their favor. The industry is aware that millions of people are influenced by mass media every day, besides the huge growth of social media in recent years. Like other companies, it hires public relations offices and other groups to promote its lethal business. They are used to influence the media and public opinion on several tobacco control aspects and obtain support from people who oppose the government's "intrusion" into tobacco product business and

taxation, instigating anti-regulatory and anti-governmental positions.⁴³ Also, studies indicate that TI's executives' ethical and honesty standards are among the lowest compared to other professional groups.⁴⁴

In the case of smuggling, the industry mirrors the same international tactics described in Figure 3 in Brazil, as detailed in Figure 4.

Figure 4: How the industry operates in Brazil in the area of illicit trade



1. **TI finances direct and indirect actions through front groups to promote its interests.** This includes using front groups to lobby the government.⁴⁵ We can mention two TI lobbying cases:

- Lobby for tax reduction - In 2019, the Ministry of Justice's initiative to assess the convenience and opportunity to reduce taxation on cigarettes to combat smuggling, thus favoring TI,⁴⁶ generated protests from tobacco control organizations. Minister of Justice Sérgio Moro issued Ordinance No. 263/2019, creating a working group to evaluate the initiative.⁴⁷ The document intended to support the development of public policies to combat smuggling. Despite the pressure, the working group concluded that reducing cigarette taxation in Brazil was not effective and suggested elaborating bills of laws to increase the penalties applied to smugglers.⁴⁸ The group's analysis, based on the taxation of cigarettes manufactured in Brazil, indicated improvements to the tobacco tax policy and measures to reduce the consumption of low-quality smuggled cigarettes, which are a significant part of the national market, resulting in damage to tax collection and public health.⁴⁹
 - Lobby against tax increases - On January 23, 2021, Minister of Economy Paulo Guedes, participating in the World Economic Forum in Davos (Switzerland), said that the government was evaluating a group of taxes on cigarettes, alcohol, and sugar-sweetened beverages in a tax reform proposal to be presented by the economic team.^{50,51} This proposal was in line with the Protocol to Eliminate Illicit Trade in Tobacco Products,¹⁹ WHO FCTC⁵² instrument ratified by Brazil in 2018. TI and its front groups have always spoken out about it, including through legislators who repeatedly defend its interests.⁴⁵
- 2. TI uses smuggling as a counterargument against public policies (including tax reform and tobacco control).**⁴⁵ The industry makes its support for the Protocol public but makes no reference to its compliance, which is not part of its agenda.⁵³

One of TI's main marketing strategies relates to responsibility transfer. The industry claims not to be responsible for the problems that its products cause to society and always positions itself as searching for solutions for a better society. Moreover, we know that these arguments are a fallacy because TI has clear and simple goals: sell more and profit more. It needs to convince the population, lawmakers, and opinion-makers that it is a responsible institution. The most sensible way to exempt TI from the damage it causes was to transfer the responsibility to an enemy to be fought: public policies and government regulation.

The same holds when addressing specific policies. The cigarette price policy, which is coordinated by the Ministry of Economy through the internal Revenue Service and is aligned with WHO FCTC Article 6,⁵² is strongly contested by the industry. TI argues that high taxes, which affect cigarette prices, are decisive for smokers to opt for illegal cigarettes over legal cigarettes.⁵⁴ According to it, this measure only makes

smokers who smoke legal cigarettes migrate to illegal ones. To support the thesis that taxes on cigarettes should decrease, TI also states the significant loss of taxes on production and sales to the illicit market.

Another argument is that cheap illegal cigarettes are a strong attraction in a country with a low-income population like Brazil.⁵⁵ This is one of the arguments used by the ETCO Institute (one of TI's front groups). It argues that illegal cigarettes promote initiation since they can be easily obtained by low-income young people.⁵⁶ These arguments are used to convince politicians, lawmakers, and the population that cheaper legal cigarettes are a way of better controlling who has access to them and the quality of the product that these people are consuming.⁵⁷

The industry also often transfers responsibility to cigarette smugglers. Society considers smuggling a lesser crime, with relatively lenient penalties.⁵⁸ According to TI, it is attractive to financially vulnerable people. So, TI blames the government for not providing equitable opportunities to the population, favoring this deviation. The smuggler, therefore, is a victim of society, who finds in smuggling a way to make a living. This view takes away any responsibility that may be attributed to the industry since it says it wants to offer products of lower cost, but it is prevented by the high tax rates levied by the government.⁵⁹

The tobacco industry also blames clandestine factories for smuggling.⁶⁰ By evading taxes, they can produce counterfeit cigarettes at much lower prices, making them attractive to consumers who want to pay less for an allegedly legal cigarette. TI sees them as competitors, blaming the government for not stamping out this type of business and unfair competition.

As for controlling who can or cannot purchase cigarette packs, the industry also places illegal products as a more straightforward access way for young people who start smoking.⁶¹ For TI, those who sell illegal cigarettes are not concerned about who will buy them or the sanctions that this may cause. They are already in illegality, so who will consume, whether young or of age, is not a problem they have to deal with. Thus, illegal cigarettes become a strong attraction for those young people who feel afraid to search for legal cigarettes with sellers who have to lose from selling cigarettes to minors.⁶²

Another customary tobacco industry strategy is to attribute the increase in smuggling to public policies, such as the bill to adopt plain cigarette packaging.⁶³ Australia pioneered this measure between 2010 and 2013. When it came into force, the Australian smoking rate fell by 15%,⁶⁴ more than double the average among surveys conducted since 1991. It reduced tobacco product appeal and increased health warning effectiveness.

Even with Australia's successful case and all released data, the industry insists that this measure will make illegal cigarettes, with advertisements, more attractive to smokers. TI states that the lack of differentiation between cigarette brands will make consumers choose the

cigarette that determines the brand he is consuming, as it brings them status and is a symbol of their personality.⁶⁵ Plain packaging, therefore, will open the doors for consumers to seek an alternative to access a differentiated product with a glamorous and specific profile.

The presented data show that TI always strives to show an untarnished image, making people believe it is acting within the law and is worried about its return to society. However, all tobacco industry's demands to the government aim for its highest profit and are masked with an aura of concern for the people. Their goal is always to take the focus away from the discussion and put on topics that will not address the problems that must be solved. Meanwhile, the industry continues to profit from a business that brings no real benefit to society.

3. TI hires consultancies to undertake biased economic researches that overstate smuggling

The industry demands a reduction in taxes based on inflated smuggling data. It overestimates the size of the illicit market to reinforce the idea of its direct relationship with the tax increases made by governments. A study on the subject showed that the TI estimate of consumed illegal cigarettes has a substantial difference when compared to official data, being 30.2 billion units higher in 2019.⁶⁶ The same study showed that the official data on legal cigarette consumption increased between 2016 and 2019 (+7.8 billion), while the industry found a reduction (-9.5 billion).⁶⁶ The study concludes that the growth in illegal cigarette demand has other macrosocial determinants that the industry does not consider, such as the economic capacity to purchase legal cigarettes.

4. TI uses corporate media to promote its image and participation in the fight against illicit trade

We can give two examples:

- ***O Cigarro do Crime* [The Crime's Cigarette], a documentary produced by Vice and directed by photojournalist João Wainer:** this production shows the illegal tobacco way from Paraguayan factories to the final consumer. In Brazil, this documentary was released in 2020 and funded by the National Forum against Piracy and Illegality (*FNCP*), TI's front group. It overstates smuggling in the country, criticizes tobacco taxes – considered excessive by the industry, demands a more effective police force at the borders, says that tax losses with illegal cigarettes have already reached around R\$ 50 billion and that the population's awareness is one of the main solutions to smuggling.⁶⁷ Once again, TI declares having no responsibility towards smuggling and transfers the problem to others. In the documentary, there is still the participation of active and relevant characters in their areas, such as journalist Mauri König and former

special operations police officer Rodrigo Pimentel, who was known for inspiring the leading role in a famous Brazilian movie called *Tropa de Elite* [Special Force] and working as a commentator in an important TV network (*Rede Globo*) as a specialist in safety.

- **The creation of the National Day to Combat Piracy – unrelated to the government's anti-smuggling agenda.** Institutes linked to TI defined March 3 as the National Day to Combat Piracy without any relation with any other public health campaign.¹⁷ Among the institutes, we can mention the Brazilian Association to Combat Counterfeiting (*ABCF*), the Brazilian Institute of Ethics in Competition (*ETCO*), and the National Forum against Piracy and Illegality (*FNCP*). They lobbied the three branches of the Brazilian government. The Institute for Economic and Social Development of Frontiers (*Idesf*) is also part of this articulation, offering questionable figures on the illicit market size. It is located in Foz do Iguaçu, a municipality on the border with Paraguay and with many smuggling records.⁶⁸

5. TI uses governmental committees to promote its interests

In 2004, the Ministry of Agriculture, Livestock, and Supply (*MAPA*) issued Ordinance No. 231, creating the Tobacco Production Chain Sectorial Chamber. It was extinguished by Ordinance No. 25/2006 but was recreated with a different composition by Ordinance No. 60/2009.⁶⁹ It consists of 38 representatives from entities linked to the tobacco sector and is chaired by a TI representative. The first two working groups it created were the thematic groups on smuggling and the WHO FCTC, clearly showing their primary objectives. Although *MAPA*'s sectorial chambers have as a principle to serve as a forum to dialogue with the government and contribute to public policies,⁷⁰ the Tobacco Production Chain Sectorial Chamber has used *MAPA*'s thematic committees to counter tobacco control public policies.⁷⁰ Its agenda is directly opposed to WHO FCTC implementation, claiming that Brazil's FCTC ratification constitutes one of the major setbacks for the country's development, despite the government's promises.⁷¹ So, the chamber establishes to prevent further internal and external anti-smoking attacks as one of its priorities.⁷¹ Concerning smuggling, the priorities are to control cigarette smuggling and counterfeiting more efficiently⁷¹ and freeze tax and price policies. It prefers to act through hearings with federal, state, and municipal authorities to expose the illegal cigarette trade problem⁷¹ and build partnerships with municipalities, the Federal Highway Police, the Federal Police, and the Brazilian Internal Revenue Service⁷¹ without taking into account Brazil's obligations as a Party to the Protocol to Eliminate Illicit Trade in Tobacco Products.⁷¹

Some strategies recently used by industry via the sectorial chamber include:

- Criticism against the National Commission for the Implementation of the Framework Convention on Tobacco Control (*Conicq*) – It states that *Conicq* should not exist and that it had the opportunity to implement WHO FCTC articles for over 15 years of operation, besides the vast majority of them were already implemented in Brazil.⁷²
- *Conicq* Extinction – The commission was extinguished at the beginning of President Jair Bolsonaro’s administration by Decree No. 9,759/2019.⁷³ It was signed by Fernando Schwanke, who commanded MAPA’s Secretariat of Family Farming and Cooperativism at the beginning of Bolsonaro’s government (until July 1, 2021). Schwanke is also Rio Pardo former mayor, an exponent tobacco-growing city in Rio Grande do Sul, and whose daughter is a Philip Morris Brazil’s employee.⁷⁵
- Criticism about adopting measures related to cigarette price and tax increases – It is important to note that they have been frozen in the country since 2016. According to a 2020 World Bank report, Brazil lacks consistency on the fiscal front.⁷²
- Acting at COP 9 - Fernando Schwanke said in February 2020 that the Ministry of Agriculture would defend tobacco production at COP 9: "There is consensus to defend the country's primary production and tobacco will be treated as corn, soybeans, cotton, and sugarcane," he said.⁷²

Main actors involved in promoting the TI agenda related to smuggling

The business world widely uses CSR strategies, also known as “social investment,” to influence public opinion. CSR activities in many sectors reflect an honest commitment to ethical behavior and contribution to economic development while improving employees' quality of life, the local community, and society. Nonetheless, the tobacco industry uses this strategy only in its own favor. TI’s CSR activities may include ineffective smoking prevention campaigns among teenagers, presenting the industry as companies that care about young people, although they also sell them lethal products. The industry works hard to support social programs targeting tobacco growers and their children, social causes unrelated to its core activity, such as programs to combat domestic violence against women, humanitarian aid efforts, and environmental causes and groups.⁷⁵

The same can be seen in the industry's approaches to smuggling. As we saw in the document on the industry's CSR strategies to promote electronic smoking devices (ESDs),⁷⁶ several actors are involved in promoting the industry's agenda or echoing its arguments (Figure 5).

Figure 5: Main actors involved in promoting TI's agenda related to smuggling.

- 1 Organizations focused on combating illicit trade
- 2 Representatives of the tobacco industry
- 3 Politicians defending the tobacco industry agenda
- 4 Representatives of growers and workers in the tobacco production chain
- 5 Scientists involved in tobacco industry projects
- 6 Media professionals who promote the tobacco industry's arguments
- 7 Police officers using the tobacco industry's arguments

The tables presented below bring some of the main actors involved in promoting TI's agenda or defending their arguments. They range from organizations specially created to fight illicit trade to police officers who understand smuggling from TI's perspective, industry representatives, politicians who defend it, representatives of growers and workers in the production chain, scientists, and media professionals.

Table 1 includes the main Brazilian organizations financed by TI and that publicly represent their interests in the agenda to combat illicit trade.

Table 1
Organizations focused on combating illicit trade representing TI's interests

| Organizations | Website | Theme | Comments |
|--|---|---|--|
| National Forum against Piracy and Illegality (<i>FNCP</i>) | http://www.fncp.org.br/forum/associados | Illicit trade and piracy | They promote the industry's interests and share the same president (Edson Vismona) |
| Brazilian Institute of Ethics in Competition (<i>ETCO</i>) | https://www.etco.org.br | | |
| Brazilian Institute to Defend Competitiveness | http://www.institutobrasillegal.org.br | | |
| JHM Security Consulting and Research | https://jhmpesquisa.com | Research and consulting firm specialized in illicit economy | Sponsored by PMI Impact |
| <i>USP Vida</i> – São Paulo University | https://www5.usp.br/uspvida/ | Illicit trade and piracy | Sponsored by PMI Impact |
| Law School, Mackenzie University/São Paulo | https://www.mackenzie.br/universidade/unidades-academicas/fd | Illicit trade and piracy | Sponsored by PMI Impact |
| Institute for Economic and | https://www.idesf.org.br/quem-som | Illicit trade and piracy | It promotes the industry's interests |

| | | | |
|--|---|--------------------------|--------------------------------------|
| Social Development of Frontiers (<i>Idesf</i>) | os/ | | |
| Brazilian Association of Bars and Restaurants (<i>Abrasel</i>) | https://abrasel.com.br/abrasel/ | Illicit trade and piracy | It promotes the industry's interests |

When it comes to shell companies that act to mitigate illicit trade in Brazil, the Brazilian Institute of Ethics in Competition (*ETCO*) excels.⁷⁷ Founded in 2003, *ETCO* is maintained by a group of companies in the tobacco, soft drinks, beer, and fuel sectors. Its mission is to combat what they consider unfair competition and defend free enterprise.⁷⁷ Its purpose is to carry out polls and disseminate data periodically to portray an exponential consumption of illegal cigarettes. They associate this to the smuggled product lower price compared to the legal one, on which taxes such as *IPI* (tax on industrial goods) and *ICMS* (goods and services tax) are imposed.⁷⁸ These data are usually echoed by the industry to promote a reduction in the legal cigarette price, which has increased in recent years due to public policies in Brazil. It is one of the main ways to reduce smoking prevalence today,⁷⁹ and also a tool for sustainable development by collecting dedicated taxes.

Besides *ETCO*, two other companies also disseminate data to promote the industry's agenda and convey that they are targeting society's wellbeing. One of them is the National Forum against Piracy and Illegality (*FNCP*),⁸⁰ a non-profit civil association. Its mission is to join forces from companies, entities representing the productive sectors, government, and society to fight against illegality.⁸⁰ Another is *Instituto Brasil Legal (IBL)*,⁸¹ which monitors the market, identifying illegal practices that harm the consumer, competitiveness, and the Treasury, in convergence with the public interest.⁸⁰ Both companies have Edson Vismona as president, showing a convergence of approaches and interests.

Official data from federal government agencies, analyzed by researchers from the Brazilian National Cancer Institute (*INCA*), question these companies' data and projections and draw the opposite scenario.⁸² This makes it clear that these organizations aim to confuse society. They distort the data to make society believe that low-price legal cigarettes would be beneficial as it would reduce the consumption of illegal cigarettes and increase tax collection for the government. By planting this in society's minds, including lawmakers and leading opinion-makers, the industry gets an essential advantage in the narrative of controlling cigarette smuggling. Regardless of the data contradicting it, the divergence minimally plants doubt in people's minds, and it has always been TI's great ally in getting their products accepted.

Another TI strategy to convey an image of sensitivity to social issues is the PMI IMPACT program, Philip Morris International's global initiative to support projects to reduce or prevent illicit trade and combat its negative consequences for individuals, their families, and communities.⁸³ A PMI Impact project in Brazil established a cooperation agreement between the Institute of International Relations from the

University of São Paulo (*USP*) and the Ministry of Justice⁸⁴ to develop a training program for the police in the Triple Frontier (Brazil, Paraguay, and Argentina), a region known for an intense presence of organized crime. The project had the participation of representatives from the Ministry of Justice and Public Security, USP's Institute of International Relations, and the Mackenzie University Law School in São Paulo, and was one of the two Brazilian projects chosen among 29 initiatives from 22 other countries in Europe, Eastern Europe, the Middle East, Asia, North, and South America.⁸⁵

The other project contemplated by PMI IMPACT in Brazil was the Census of Illicit Markets, developed by JHM Security Consulting and Research, specialized in the illicit economy.⁸⁶ The company received resources to conduct an illicit market census in São Paulo, Paraná, and Mato Grosso do Sul to develop a qualitative, quantitative, and spatial data platform on crimes related to illicit trade. Besides the socioeconomic data from regions where illicit activities occur,⁸⁷ the platform would map the main criminal activities related to the entry points, the supply routes, and the distribution sites of illicit products between the Triple Frontier and the State of São Paulo.⁸⁸ The data generated, however, provide information of interest to the industry so that the private sector can develop its strategies for the operation and exploitation of the problem.

The Institute of Economic and Social Development of Frontiers (*Idesf*) can also be classified as a shell company that spreads the industry's image of doing good for society. They call themselves a non-profit civil institution based in Foz do Iguaçu (PR), which aims to create mechanisms to promote equality, integration, and development of the border regions.⁸⁹ According to them, through partnerships with public and private institutions, *Idesf* provides the involvement of different actors from areas such as politics, economy, education, health, and public security in initiatives to improve conditions in the border areas, thus contributing to the prosperity and national sovereignty.⁸⁹ Repeating the industry's speech, they say that the increase in the flow of people and goods, characteristics of contemporaneity, expands the need for special attention to these areas not only for security reasons as the development of these regions modifies their illicit profile, bringing harm to the entire Brazilian society.

Another old industry ally is the Brazilian Association of Bars and Restaurants (*Abrasel*).⁹⁰ They say they represent and develop the food sector outside the home, contributing to a simpler Brazil to undertake and better to live. Yet, they constantly disseminate TI's ideas and interests and participate in hearings to make the government adopt laws that favor the tobacco industry. *Abrasel's* CEO, Paulo Solmucci, gives blunt statements about smuggling in Brazil, always in TI's favor: "It is a severe issue, a crime that we see every day at our doors. Furthermore, it bothers us a lot, taking money from those who pay taxes and struggle to keep their business."⁹²

With all these examples, it is clear that TI grudges no pain to promote its agenda so that its products are accepted by society. The use of shell companies, which use social purposes to mask their real intentions, is a common TI practice. The only way to curb this type of action is information because where there is no knowledge, there is no interest in the truth. Therefore, we must always be attentive to the maneuvers perpetrated by industry and ready to confront these erroneous arguments that only encourage the spread of untruths and misinformation.

Table 2 identifies the prominent TI representatives on combating illicit trade.

Table 2
TI representatives

| Name | Enterprise | Link | Comments |
|---------------------|--|---|------------------------|
| Delcio Sandi | Director of Institutional and Government Relations at Souza Cruz | http://olajornal.com.br/bat-brasil-aponta-revisao-do-sistema-tributario-para-enfrentamento-do-contrabando-de-cigarros/ | Member of the industry |
| Flávio Goulart | Director of Corporate Affairs and Communication at JTI | https://www.gaz.com.br/combate-ao-mercado-ilegal-exige-reducao-dos-tributos/ | Member of the industry |
| Liel Miranda | Souza Cruz's president | https://www.istoedinheiro.com.br/souza-cruz-apaga-o-cigarro/ | Member of the industry |
| Rinaldo Zangirolami | Souza Cruz's legal vice president | https://www.legisweb.com.br/noticia/?id=22165 | Member of the industry |
| Rui Duarte | Tax affairs manager at Philip Morris Brazil | http://olajornal.com.br/contrabando-de-cigarros-e-o-preco-pago-pelo-brasil-por-seguir-acordos-internacionais/ | Member of the industry |

TI's high-ranking members always have something to say about smuggling (Table 2). The goal is to show that these companies are committed to acting against this evil that affects our society. With blunt statements, these industry professionals pretend not to be responsible for smuggling. The culprits are always criminal organizations acting outside the law, legislators who impose high taxes on legal products sold by industry, and the government that does not act forcefully to curb smuggling at the Brazilian borders.¹⁴

These industry professionals always try to show concern for the country and public policies that will influence Brazilian citizens' lives. However, his proposals against smuggling always involve other areas away from their responsibilities on the subject. They often suggest that legislators review tax rates because they believe this makes competition with illegal cigarettes unfair and prompts the population to choose smuggled ones. They propose courses to prepare border patrol officers to do the right thing when dealing with smugglers. Finally, they blame smugglers who, according to them, find a seductive market to grow and benefit from the lax laws imposed on them.

Professionals who work for TI have responsibility transfer as their preferred strategy. They are never responsible or have to adopt measures to reduce smuggling. To support its theses, the industry began to make legal and tax professionals expose their beliefs about the correct way to deal with smuggling in Brazil. Two of these are Rinaldo Zangirolami, legal vice president of Souza Cruz, now BAT Brazil, and Rui Duarte, tax affairs manager at Philip Morris Brazil.

As we can see, the industry always takes a stand regarding issues that concern its responsibilities and business. Its most prominent representatives regularly give statements to the media and press, exempting them from responsibility and transferring it to others. This is an effective way to make people believe that they would like to solve the smuggling problem, but it is not in the industry's hands. According to TI, it is up to them to demand a response from the authorities and support measures that combat smuggling. Meanwhile, smuggling continues to expand each day.

Table 3 lists politicians who defend TI's interests in the anti-illicit trade agenda.

Table 3: Politicians defending TI's anti-illicit trade agenda

| Name | Enterprise | Link | Comments |
|------------------|---|---|-------------------------------------|
| Abimael do Valle | São João do Triunfo (PR) mayor and <i>Amprotabaco</i> 's vice-president | https://www.gaz.com.br/nova-diretori-a-toma-posse-na-amprotabaco/ | He defends the industry's interests |

| | | | |
|--------------------------|---|---|-------------------------------------|
| Dalvi Soares | Dom Feliciano (RS) mayor and <i>Amprotabaco</i> 's vice-president | https://www.gaz.com.br/amprotabaco-amplia-debate-sobre-contrabando-de-cigarros/?amp=1 | He defends the industry's interests |
| Eduardo Leite | Rio Grande do Sul governor | https://www.gaz.com.br/leite-diz-a-re-giao-que-apoia-a-venda-e-a-fabricacao-do-cigarro-eletronico/ | He defends the industry's interests |
| Gervásio Maciel | Ituporanga (SC) mayor and <i>Amprotabaco</i> 's vice-president | https://www.gaz.com.br/nova-diretoria-toma-posse-na-amprotabaco/ | He defends the industry's interests |
| Giovane Wickert | Venâncio Aires mayor and <i>Amprotabaco</i> 's representative | https://www.gaz.com.br/lideres-da-regiao-debatem-projeto-antitabagismo-em-brasilia/ | He defends the industry's interests |
| Heitor Schuch | Federal Representative (<i>PSB</i>) and <i>FPAF</i> 's president | https://www.gaz.com.br/o-contrabando-vai-aplaudir-de-pe-diz-heitor-schuch-sobre-novo-imposto/ | He defends the industry's interests |
| Helena Hermany | Santa Cruz do Sul (RS) mayor and <i>Amprotabaco</i> 's vice-president | https://www.gaz.com.br/nova-diretoria-toma-posse-na-amprotabaco/ | He defends the industry's interests |
| Luis Carlos Heinze | Senator (<i>PP</i>) | https://www1.folha.uol.com.br/opinia-o/2019/06/importando-crime-exportando-empregos.shtml | He defends the industry's interests |
| Marcelo Moraes | Federal Representative (<i>PTB</i>) | https://ptb.org.br/marcelo-moraes-critica-proposta-do-governo-de-aumento-de-impostos/ | He defends the industry's interests |
| Marcos Vinícius Pegoraro | Canguçu (RS) mayor and <i>Amprotabaco</i> 's president | https://www.gaz.com.br/nova-diretoria-toma-posse-na-amprotabaco/ | He defends the industry's interests |

One of TI's widely used modus operandi is to lobby politicians to bring up issues of its interest and vote for bills that favor tobacco companies. This is not a new strategy concerning smuggling. It has been intensified since the 1990s.⁹³ Briefly, some politicians seem to have logistical and financial support from the tobacco industry and disseminate TI traditional arguments regarding smuggling. They suggest lowering cigarette tax rates, are concerned about the entry of illegal products at the country's borders, and claim that Brazilian laws promote smuggling.⁹⁴ This pressure made by politicians, especially those representing tobacco growing areas, intends to destabilize the system and place TI as a productive sector, beneficial to society and the population's well-being.

Among the politicians who defend the industry, we can mention federal representatives Marcelo Moraes (*PTB*),⁹⁵ Heitor Schuch (*PSB*),⁹⁶ and senator Luis Carlos Heinze (*PP*).⁹⁷ They are all very incisive in their defense and constantly appear in the media endorsing laws and projects that benefit cigarette companies.⁹⁸ Schuch, for example, is also president of the Parliamentary Front for Family Farming (*FPAF*) in Brazil, which aims to strengthen the tobacco growing sector and serve as a mediator between civil society entities and the Brazilian National Congress.⁹⁰

Considering political lobbying, it is also essential to mention the Association of Tobacco Growing Municipalities (*Amprotabaco*).¹⁰⁰ Its goal is to unite tobacco-growing region mayors to defend the sector from the threats posed by the government and anti-smoking movements.¹⁰⁰ The association's objective is, therefore, to give voice to the two main players in the tobacco production chain: tobacco growers and companies. It is a political arm in Brasilia, defending the sector in the National Congress, presenting its demands, and demonstrating the potential of tobacco to generate good income.

When we talk about visibility and important names that defend the industry in the political environment, the main one is Rio Grande do Sul current governor, Eduardo Leite, ruler of the largest tobacco-growing state in Brazil.¹⁰¹ Almost 50% of the municipalities in southern Brazil produce tobacco. Leite constantly meets with TI representatives and is an important voice when discussing its interests.¹⁰² In return, the politician would have the industry's help in his campaign for the presidency in 2022, which ended up not happening.¹⁰³

Then, one can see that the political lobby is a strong, early and recurrent practice. The industry's ideas and arguments are represented in Brazilian politics, with countless politicians working to spread untruths and mislead public opinion. Until this is restrained and these politicians are unmasked, this practice will remain a strong TI ally in pursuing its goals and aspirations. To stop it, we must fight for more transparency. The money raised by politicians for their campaigns must be public knowledge. Only then can we hope there will be a little more justice in this far-from-over fight.

Table 4 lists representatives of tobacco growers and workers who defend TI's interests in the anti-illicit trade agenda.

Table 4: Representatives of tobacco growers and workers in the tobacco production chain

| Name | Enterprise | Link | Comments |
|-------------------------|--|---|--|
| Carlos Joel da Silva | <i>Fetag's</i> president | https://www.gaz.com.br/com-reforma-tributaria-contrabando-pode-tomar-90-do-mercado-alerta-entidade/ | He says that the loss from smuggling is greater than the taxes collected on cigarettes |
| Gedeão Pereira | <i>Farsul's</i> president | https://www.gaz.com.br/com-reforma-tributaria-contrabando-pode-tomar-90-do-mercado-alerta-entidade/ | He lobbies the House of Representatives and Senate to curb the increase in taxes on legal cigarettes |
| Gualter Baptista Júnior | <i>Fentifumo's</i> president | http://olajornal.com.br/proposta-do-governo-de-reforma-tributaria-deverafechar-postos-de-trabalho-na-industria-do-tabaco/ | He defends the industry's interests |
| Iro Schünke | <i>SindiTabaco's</i> president | http://www.sinditabaco.com.br/todos-perdem-com-o-contrabando/ | He defends the industry's interests |
| Romeu Schneider | <i>Afubra</i> and Tobacco Production Chain Sectorial Chamber's president | http://olajornal.com.br/camara-setorial-do-tabaco-defende-atuacao-em-diferentes-frentes-no-combate-ao-contrabando/ | He defends the industry's interests |

Tobacco growers and workers in the tobacco production chain are TI's main allies. With common goals, they always keep their speech aligned. In the case of smuggling, that is not different. Members of institutions representing workers in the area frequently make statements in

the media corroborating TI's theses. They lobby politicians and legislators to make decisions in TI's favor. They usually present their perspectives and demand measures to benefit the industry in public hearings.¹⁰⁴

Fetag is an example of these institutions. It was founded in 1963, which gives it a long history of fights in favor of family farming. It spun off the *Frente Agrária Gaúcha (FAG)*, which began the mobilization of farmers to form representative entities in the state, being, therefore, the driving force for the federation's creation.¹⁰⁵ Carlos Joel da Silva, *Fetag's* president and spokesperson, is in favor of reducing tobacco consumption and diversifying planting but is against the tobacco cultivation eradication. According to him, restrictions to planting entail the increase of smuggling: "The great achievement is that instead of eradicating, it will diversify; and, instead of working to reduce planting, the government will focus on reducing consumption. Health harm will be attacked through programs for people to quit smoking. While planting is restricted, smuggling increases and what can be much worse depending on the origin."¹⁰⁶

Afubra and the Tobacco Production Chain Sectorial Chamber's president, Romeu Schneider, prefers to say that cigarette high costs make people choose illegal cigarettes and contribute to smuggling: "A cigarette pack today has an average price of R\$ 7.51. The illicit market is selling for R\$ 3.44. There is no way to compete."⁹⁹ For *Fentifumo's* president, Gualter Baptista Júnior, smuggling is one of the main problems they face because it brings losses to the government, which collects fewer taxes, and reflects negatively on the labor market: "Workers, industries, everybody loses. All those who are legally constituted lose with smuggling. It is harmful to the sector as a whole, and this needs to be fought."¹⁰⁷

Gedeão Pereira, *Farsul's* president, also strongly criticizes smuggling and puts the government as the great villain in this story. The Federation of Agriculture in the State of Rio Grande do Sul (*Farsul*) represents the association of Rio Grande do Sul agricultural class to defend rural producers' interests.¹⁰⁸ The federation is known for its participation in the central political moments involving the primary sector of the state economy, such as tobacco production. One of these moments was in 2020 when the federal government presented a proposal to raise the tax burden on cigarette packs to 115% of the market value. Gedeão was against it and insisted on the need for a joint mobilization of all tobacco grower entities to put political pressure on the House of Representatives and the Senate to overturn the proposal.¹⁰⁹

SindiTabaco's president, Iro Schünke, never fails to participate in the discussions about cigarette smuggling. For him, the illicit market harms the national tax-paying industry, which is under strict sanitary controls from Brazilian agencies, and compromises employment: "Smuggling poses a significant threat to the whole society because it finances other criminal activities, such as drug and firearm trafficking. As it is a complex problem, the illicit cigarette market must be tackled with diverse and complementary initiatives, such as strengthening combat and repression authorities, increasing border control, and the severity of penalties for offenders. The understanding that excessive regulatory

measures and high taxes contribute to the growth of illegality is essential.”¹⁰⁹ Schünke's speech summarizes how the industry acts about smuggling. Its earnings, the main reason it is present at all discussions on this subject, never seem to be the cause that drives it. That is how it always acts and intends to keep doing so. The only way to face this dissimulation is to fight for stricter laws and disseminate accurate data on the subject.

Table 5 lists professionals linked to universities or research institutes funded by TI to conduct research and studies that defend its interests in combating illicit trade.

Table 5: Scientists involved in anti-illicit trade programs promoted by IT

| Name | Enterprise | Link | Comments |
|-------------------------|--|---|--|
| Leandro Piquet Carneiro | Professor at the Institute of International Relations/USP; | http://olajournal.com.br/usp-e-ministerio-da-justica-se-unem-para-capacitacao-de-policiais-que-atuam-nas-fronteiras/ | Coordinator of the training program for the police in the Triple Frontier (Brazil, Paraguay, and Argentina), a region considered a hub for criminal activities |
| Marcos Casarin | Chief Economist for Latin America at Oxford Economics | http://olajournal.com.br/economista-de-fende-nova-estrutura-de-precos-para-estancar-venda-de-cigarros-ilegais/ | He is responsible for the study <i>The Economics of the Illicit Tobacco Trade in Brazil</i> |
| Pery Shikida | Professor at the State University of Western Paraná; | https://economia.estadao.com.br/noticias/geral/contrabando-de-cigarros-um-enorme-prejuizo-para-o-pais,70003346019 | He has been studying the economics of crime for over 20 years |

The first scientific studies documenting the role of tobacco in the development of cancer and other diseases appeared in the early 1950s.¹¹⁰ Internal memos from the Truth Tobacco Institute,³⁸ an IT-founded organization, linked the discovery to a public relations failure.

Desperately struggling for economic survival, the tobacco industry launched what many consider the longest, most expensive, and successful PR crisis management in history.¹¹⁰ Since then, scientists have been enticed by the industry in their struggle to impose their narrative on society. Through unscrupulous conduct that exceeds any ethical or moral limit, TI adopted marketing tactics aiming at young people to increase dependence in this population group and deny proven health risks. As a result, dubious scientific studies have become essential to keep themselves in business.

These strategies are also present, and scientists are also co-opted when the issue is illicit trade. In Brazil, TI has conveyed an image of concern about severe problems through measures disguised as corporate social responsibility actions such as sponsorships, financing, and supporting social and environmental causes. An example is the training program for the police in the Triple Frontier (Brazil, Paraguay, and Argentina), a region known for an intense presence of organized crime. The project is funded by PMI Impact and has the partnership of USP Institute of International Relations and the Law School of Mackenzie University in São Paulo.¹¹¹

According to Leandro Piquet Carneiro, one of the program coordinators and professor at USP Institute of International Relations, the agreement with the Ministry of Justice and Public Security expanded the training scope, turning it into a model of success.⁸⁵ Thus, the tobacco industry once again supports a social cause advertising it as a CSR activity.

Financing studies that corroborate TI ideas is also a widely used strategy. The study *The Economics of the Illicit Tobacco Trade in Brazil* by Oxford Economics¹¹² says that illegal cigarette sales in Brazil rose 80 between 2013 and 2019%, from 35 billion units to 63 billion.¹¹³ The objective is to show that, although total cigarette consumption remained stable between 2013 and 2019 (ranging from 107 billion units to 111 billion), as the price of legal cigarettes increased, their sale fell 34% in the same period (from 72 billion units to 47 billion). Taking advantage of this data, TI once again uses a member of the Academy as a spokesperson for their ideas and tries to weave a narrative. Marcos Casarin, Chief Economist for Latin America at Oxford Economics, says the way to solve the problem is to change the price structure and combat smuggling: “Any kind of solution to a problem this size (facing a player that is dominant in its market) will require a holistic look at the problem. Changing the price structure as a way to improve signaling for consumers and induce demand back to the legal market can help solve the problem, as well as restricting the supply of clandestine products through operations at the borders.”¹¹⁴

Another important fact that the study reveals is that replacing illegal products with legitimate ones could generate an additional contribution of 6 billion to GDP and support the creation of 173,340 jobs. Once again, Casarin makes his contribution to reinforcing the industry's arguments: “I believe that the government should look at this as an opportunity to reduce economic inefficiency and hasten the generation of jobs and income in the country, accelerating the recovery of the economy, and depriving criminal organizations of billions of reais

of funding per year. Society, on the other hand, should look at this as an opportunity for employment and income to be used in a context in which many jobs have been lost.”¹¹⁴

Finally, we have the participation of scientists in the media disseminating the idea that smuggling is a problem that the government and legal institutions must deal with. TI is once again a spectator, demanding action from authorities and in no way contributing to its solution. An example is an article written in *Estadão* by Pery Shikida, professor at the State University of Western Paraná, and sponsored by the National Forum against Piracy and Illegality, another TI front group. The professor presented himself as a specialist in the economics of crime and smuggling as an attractive crime without significant consequences for the criminal.¹¹⁵

So, scientists are enticed to contribute to the industry by disseminating controversial studies and giving statements that corroborate its interests. Although there are also many serious professionals in this area, there will always be those who agree to contribute to them in exchange for benefits. Confronting these ideas is the role of health agencies and serious scholars. Lies can only be fought with the truth.

Table 6 lists the media professionals who defend TI interests related to tobacco illicit trade.

Table 6: Media professionals who defend TI arguments on smuggling

| Name | Enterprise | Link | Link |
|---------------|----------------------------|---|--|
| João Wainer | Filmmaker | https://economia.estadao.com.br/noticias/geral/contrabando-de-cigarros-um-enorme-prejuizo-para-o-pais.70003346019 | Director of the documentary <i>Cigarro do Crime</i> |
| Ricardo Daehn | <i>Correio Brasiliense</i> | https://www.correiobrasiliense.com.br/diversao-e-arte/2020/12/4897084-serie-cigarro-do-crime-cerca-industria-illegal-que-lucra-rs-11-bilhoes.html | The industry paid him to write an article; |
| Gil do Vigor | Influencer | https://ojoioetrigo.com.br/2021/12/1/obby-da-industria-faz-brasil-falhar-contra-comercio-ilicito-de-cigarros/ | He was paid to advertise for <i>FNCP</i> , BAT Brasil’s front group. His profile on the Internet has nearly 15 million |

| | | | |
|----------------------|---|---|--|
| | | | followers. He spoke for nearly 50 seconds about the No Smuggling campaign, redirecting followers to the Forum website. |
| André Luís Jungblut | Gazeta Communications Group's president | https://www.gaz.com.br/ | Industry-friendly newspaper; |
| Romar Rudolfo Beling | Journalist at <i>Gazeta do Sul</i> | https://www.gaz.com.br/ | He has been following and registering agribusiness in Brazil for 32 years. He is responsible for project The Tobacco Paths news story. |

TI consistently uses media channels to disseminate its narratives. Paid news reports, documentaries, and misleading information to journalists are some of its instruments.

A recent example is the documentary series *Cigarro do Crime*.¹¹⁶ It displays aspects of the borders between Brazil and Paraguay, where crimes operated by large organizations are crystallized in routes of diversion of goods by land and water. It shows the testimony of several border professionals as Federal police officers, Federal and State Highway police officers, and Internal Revenue Service agents. The series features tax evasion, bribery, and criminal factions and militias financing. Despite its journalistic content, it focuses on government measures and implies that citizens' attitudes can curb smuggling. That is, responsibility is once again transferred to someone other than industry. The government must act, the citizen must act, but the industry has nothing to do to restrain a crime as serious and harmful to the country as smuggling.¹¹⁷

Paid news stories, where the message "*The content is the advertiser's responsibility*" appears in fine print, are another widely used way to circulate its ideas. Disguised as a reliable news report of public interest and with information of journalistic background, the goal is to promote TI's truths. Even when the news story is not paid, TI tries to convince journalists that its ideas deserve publication. There is an exchange of favors when journalists receive benefits other money to favor the industry in their articles. Ricardo Daehn from *Correio Braziliense* is an example media professional linked to the industry.¹¹⁷ He wrote an article talking about the series *Cigarro do Crime*, disclosing data

constantly associated with the industry and giving voice to Edson Vismona, president of *ETCO*, a shell company used by the industry to meet their interests.

The industry is present and also invests in social networks through paid advertising. Gilberto Nogueira, influencer known as Gil do Vigor, and former participant of the reality show Big Brother Brazil (BBB), is the last TI choice to publicize its ideas. Gil is one of the most prominent digital influencers in 2021, with an Instagram profile with nearly 15 million followers. In a campaign funded by the National Forum against Piracy and Illegality (*FNCP*), the former BBB his Instagram Stories to talk about the No Smuggling campaign¹¹⁸ for almost 50 seconds, redirecting its followers to the *FNCP* website. *FNCP* is BAT Brazil's front group.

The evident influence of the industry in the media is also noticeable when we observe the link with the Gazeta Communications Group. This group's main product is *Gazeta do Sul (GAZ)*, a newspaper known for covering agribusiness matters and having a deep and long relationship with the tobacco sector.¹¹⁹ One of its best-known projects is the news report series *Tobacco Paths*,¹¹⁹ which takes journalists to visit the tobacco growing areas in southern Brazil and is already in its sixth edition (2021). The news reports are published periodically on the newspaper's website, and there are also radio broadcasts. The project is sponsored by the municipality of Santa Cruz do Sul (tobacco capital), the Interstate Tobacco Industry Union (*Sinditabaco*), University of Santa Cruz do Sul (*Unisc*), Tobacco Growers' Association of Brazil (*Afubra*), and Philip Morris Brazil. It also has the support of City Car (a car rental shop).¹¹⁹ In its fifth edition, the project had a special issue about trips to Brazil border regions to investigate the impact of smuggling on the cigarette market.¹²⁰ The series reinforced ideas that exempt TI from responsibility and transfer it to Brazilian authorities and rulers while proclaiming a tax reform as the solution to smuggling (Figure 6).

Figure 6: Gazeta do Sul newspaper - special issue on smuggling (Tobacco Paths Series, 2020)

Caminhos do Tabaco: isso tudo é Brasil

A proposta da própria expedição era seguir por caminhos da região Sul do País, com o olhar atento ao produto que motivava a incursão

9 de março de 2020 07:12 | Atualizado em 9 de março de 2020 07:33

Por ROMAR BELING



Foto: Lula Helfer



O produtor Giovane Luiz Weber surpreendeu ao desfraldar uma bandeira do Brasil em lavoura de tabaco ao final do roteiro da expedição

gaz.com.br

Thus, we can see that the tobacco industry exploits the media sector. Its arguments are disseminated to consumers through paid news stories, funded documentaries, or journalists with suspicious behavior. There is no way to quantify how many people will believe or question the information, but this strategy certainly raises doubt in people's minds. Doubt is an evil typically orchestrated by the industry.

Misinformation is only countered with information. What is expected from serious media professionals who honor their profession's values: impartiality and truth.

Table 7 list some police officers who repeat TI's arguments regarding the illicit tobacco trade.

Table 7: Police officers who mirror TI's arguments on smuggling

| Name | Enterprise | Link | Comments |
|----------------------------------|---|---|---|
| Mozart Person Fuchs | Head of Foz do Iguaçu Federal Police Station; | https://economia.estadao.com.br/noticias/geral,contrabando-de-cigarros-um-enorme-prejuizo-para-o-pais,70003346019 | Mozart Person Fuchs agrees with the proposal to rebalance the tax burden and says this directly influences the reduction of smuggling; |
| Emerson Rodrigues | Foz do Iguaçu sheriff; | https://www.gaz.com.br/uniao-de-forcas-e-a-prioridade-no-combate-ao-contrabando-de-cigarros/ | Rodrigues believes that, besides taxation , one of the obstacles to combating smuggling is in the criminal laws, once penalties are lenient and criminals hardly remain imprisoned; |
| Leandro Húngaro | Federal police officer in Guaíra (PR); | https://www.gaz.com.br/especial-contrabando-expedicao-explora-o-mercado-ilegal-de-cigarros/ | "The Highway police officer Leandro Húngaro points out that the neighboring country has been showing signs of change of attitude, with the increase in the tax burden on cigarettes, the closure of clandestine ports in its territory " |
| Benedito Pereira da Silva Júnior | Tax auditor; | https://www.gaz.com.br/especial-cont | "Besides the tax issue and the |

| | | | |
|--|--|--|---|
| | | <p><u><i>rabando-expedicao-explora-o-mercado-ilegal-de-cigarros/</i></u></p> | <p>difficulties faced by the government to make the repression, the lack of dialogue between the Brazilian and Paraguayan governments on the subject also contributes. For fiscal auditor Benedito Pereira da Silva Júnior, it cannot be said that Paraguay is negligent about smuggling"</p> |
|--|--|--|---|

Finally, we can mention the industry’s influence on police officers. Although there is no official link between TI and the police forces that operate at Brazil’s borders, the customs authorities’ arguments concerning smuggling tend to reproduce the industry’s ideas.

This influence on police forces and aligned ideas about smuggling is a direct result of the PMI IMPACT program.⁸³ In 2019, in its second round of investments, the program included two Brazilian projects: a training program on multidimensional security at borders for the police forces in the Triple Frontier, in partnership with USP Institute of International Relations of the University of São Paulo, and the Census of Illicit Markets, a qualitative, quantitative, and spatial data platform on crimes related to illicit trade in Brazil.¹²¹ Therefore, both projects are milestones on approaching authorities and disseminating data that favor the industry’s position about smuggling.

TI’s ideas most frequently reproduced by police officers who fight against smuggling are the high tax burden on legal cigarettes, lenient penalties for smugglers, the lack of police officers involved in combating smuggling, the idea that cigarette smuggling is a minor crime compared to drug and firearm smuggling, smugglers’ lack of understanding about the crime severity, and the notion that smuggling will always exist.

With its CSR measures, the industry seeks to show concern about the direction smuggling takes in Brazil. The police, when contemplated by TI programs, become partners in the quest to deal with smuggling in the best possible way. Nonetheless, behind this facade that they are allies in the fight against smuggling, there are other interests linked to TI marketing strategies. The police end up amplifying the industry’s ideas, and, in return, TI is willing to help and give better conditions for them to fight against smuggling.

Conclusion and recommendations

This qualitative study showed that TI has repeatedly gone public to portray the losses governments have been having with the illicit trade in tobacco products to favor its agenda. According to it, governments are primarily responsible for smuggling due to their tobacco control policies that stimulate smuggling and their insufficient measures to address the problem (including lowering taxes). The industry also blames Brazilian clandestine companies (which produce without paying taxes), criminal groups (responsible for marketing products that are cheaper and more attractive), and consumers (who buy products of unknown origin), among others. This approach is used to aggressively promote the reduction of taxes on tobacco products, counter tobacco control public policies, especially the Framework Convention for Tobacco Control (with which Brazil has legal obligations) and promote itself as a socially responsible company. In addition, the industry applies and adapts its headquarters' strategies to the Brazilian reality on illicit trade, ignoring the measures of the Protocol to Eliminate Illicit Trade in Tobacco Products, a treaty to which Brazil is also legally bound.

Worse still, the industry has found a way to speak out through government bodies in Brazil. This facilitates its lobbying on relevant sectors, such as the Ministry of Economy (responsible for tobacco product pricing policies), and its aggressive opposition to other sectors, such as the Ministry of Health, urging the country not to comply with the two treaties' legal obligations through the frontal attack on CONICQ. TI and its front groups benefit from the legitimacy offered by *MAPA's* thematic chambers, created through ministerial ordinances, to align the country's national and international positions to their agenda and economic interests, counting on the support of politicians, journalists, statisticians and the industry's front groups.

In possession of this study, the Brazilian government and society play a fundamental role in the protection of public tobacco control policies, opposing TI interference. These measures should be general, offering umbrella protection to the Framework Convention on Tobacco Control in the following points:

1. Legitimize and strengthen Conicq's role, protecting its performance from TI interference.
2. Restrict the tobacco sectorial chamber's role to technical issues related to agriculture, like other *MAPA's* technical chambers, aligning its role and recommendations to Brazil's legal obligations with WHO FCTC, and keeping its agenda available for social control.
3. Promote the implementation of FCTC Article 5.3 and its guidelines in all government bodies.¹²²
4. Not to allow TI or its front groups to represent Brazil in international multilateral consultations, agencies, or mechanisms that have a role or influence in the Protocol implementation.

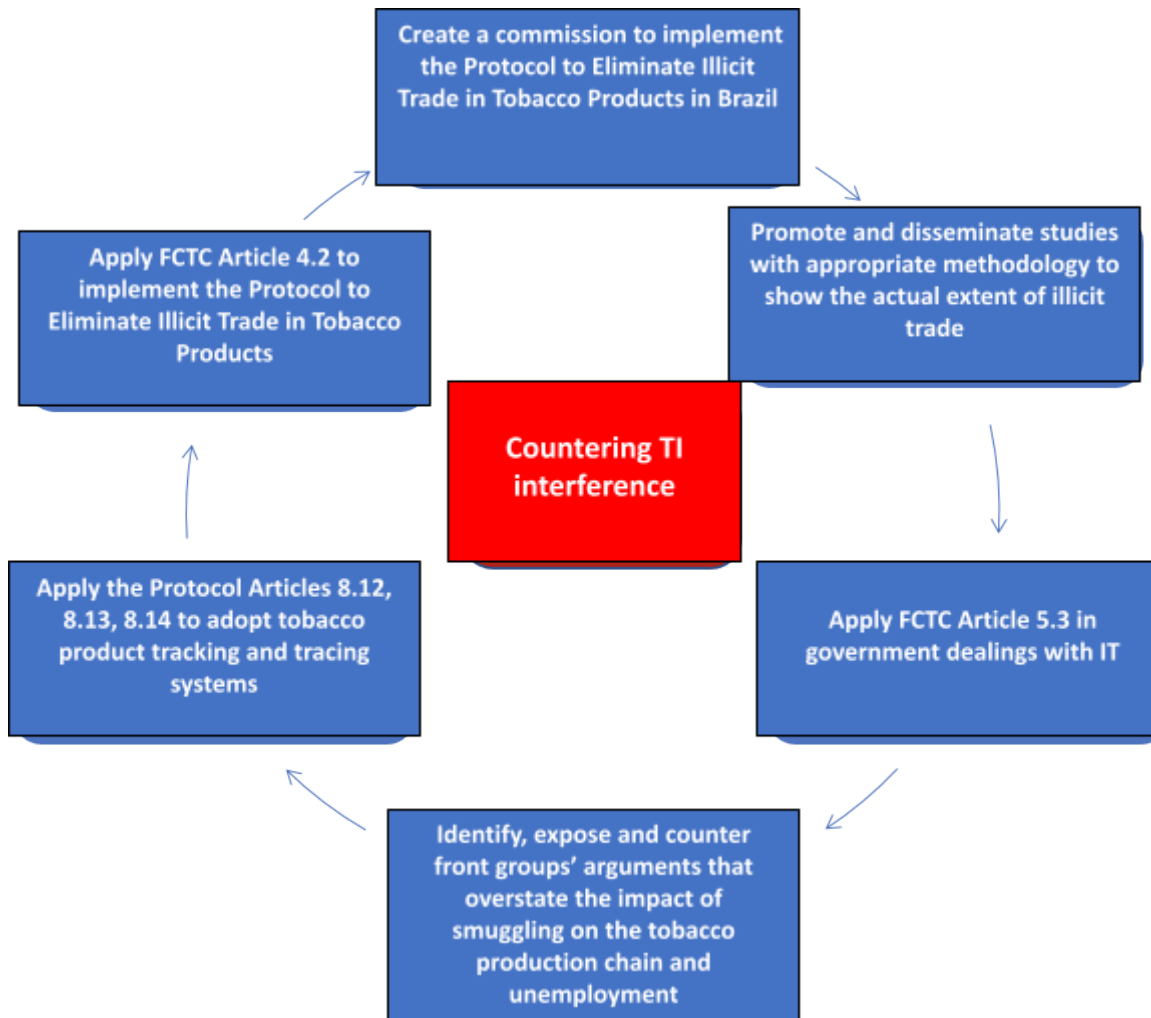
5. Develop mechanisms to inform scholars and scientists about the conflict of interest in projects with TI funding and promote conflict of interest reporting mechanisms in academic and scientific publications.

Measures aimed explicitly at the Protocol implementation in Brazil include:

1. creating a commission to implement the Protocol to Eliminate Illicit Trade in Tobacco Products under the ordinance that endorsed Brazil's access to the Protocol and ensures compliance with the Protocol's measures under government control.
2. promoting and disseminating studies with appropriate methodology to show the actual extent of illicit trade.
3. applying FCTC Article 5.3 in government dealings with TI.¹²²
4. identifying, exposing, and countering front groups' arguments that overstate the impact of smuggling on the tobacco production chain and unemployment.
5. applying the Protocol Articles 8.12, 8.13, and 8.14 to adopt tobacco product tracking and tracing systems.¹⁹
6. applying WHO FCTC Article 4.2 in the Protocol implementation.¹⁹

Figure 7 addresses the suggested mechanisms to specifically support the implementation of the Protocol for the Elimination of Illicit Trade in Tobacco Products in Brazil, countering TI interference.

Figure 7: Countering TI interference



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