

CENTRE D'ÉTUDES PRATIQUES
DE LA NÉGOCIATION
INTERNATIONALE
CENTRE FOR APPLIED STUDIES
IN INTERNATIONAL
NEGOTIATIONS

*THE NON-GOVERNMENTAL
ORGANIZATIONS
PROGRAMME*

A PRESENTATION

11 A, avenue de la Paix
CH-1202 Geneva (Switzerland)

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THE NON-GOVERNMENTAL ORGANIZATIONS PROGRAMME

The Programme, created in 1986, falls within the activities of the Centre for Applied Studies in International Negotiations (CASIN), a non-profit foundation based in Geneva, Switzerland. Its objective is to contribute toward a better understanding of non-governmental organizations.

OBJECTIVES AND NATURE

The Programme facilitates regular and immediate access to public information and documents on NGOs.

Through analysis and research, the Programme aims at expanding knowledge on the objectives, philosophy, policies, activities and structures of NGOs. It examines their involvement in selected issues and their interrelations with inter-governmental organizations, governments, business and the public.

The Programme is furthermore conceived as an independent platform where NGOs and other international partners, such as governments, inter-governmental organizations, corporations and trade-unions can engage in dialogue on issues and policies.

The Programme is of a scientific nature and it works in cooperation with academic institutions. Its scope is predominantly international. Every effort is made to safeguard its neutrality and objectivity.

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ACTIVITIES OF THE PROGRAMME

Information

The Programme provides independent information on NGOs and their activities in the form of:

- *Monthly Information Digests*, based on the survey of recent documentation received (NGOs occasional information bulletin, newsletters, literature, etc.);
- *Monthly Calendars of Conferences* listing meetings organized worldwide by NGOs or related to NGOs' major interests.

Analysis and Research

The Programme is primarily engaged in analysis and research activities. So far, these activities have concentrated on the phenomenon of NGOs in general, and on NGOs' involvement in areas such as environmental protection, consumer issues, health, biotechnology, development, indigenous peoples and ethics.

The following material is prepared by the Programme:

- *Monthly NGO Profiles* providing detailed information on selected non-governmental organizations (aims, structure, activities, etc.) in the form of fact sheets. More than 100 NGO Profiles are available;
- *Issue Profiles* consisting in an overview of the debate on an issue and an analysis of the positions and the activities of the main actors, be they NGOs or international organizations;

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- *NGO Directories* listing non-governmental organizations active on a specific issue, describing their activities, and explaining who is who and who is doing what in relation to the issue;

- *Occasional Reports* on selected NGOs and inter-governmental conferences.

Dialogues

Dialogues are meetings which offer all concerned parties, an opportunity to review together a specific issue, define the problems at stake and explore potential solutions acceptable to all.

Past Dialogues have focused on:

- *Drug policy in developing countries: the role of international organizations and the pharmaceutical industry;*
- *The future of international codes of conducts;*
- *The role of NGOs in the international system;*
- *The regulation of transborder data flows;*
- *The international dimensions of hazardous waste management;*
- *Consumer education;*
- *The management of distribution, and use of pesticides;*
- *Product safety;*
- *Church organizations' involvement in international affairs;*
- *The release of genetically engineered organisms in the environment;*
- *Consumers' attitudes towards biotechnology;*
- *Tree plantations: benefits and drawbacks;*
- *European advertising in the '90s: principles and practices.*

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DOCUMENTATION CENTRE

The activities of the Programme are based on a Documentation Centre which holds publicly-available information on non-governmental organizations, NGOs' relations with international organizations, and selected societal issues. The Documentation Centre gathers information on over thousand NGOs worldwide and over forty NGO networks. It collects also information on major inter-governmental organizations, with special emphasis on interactions with NGOs.

Computer Database

The Programme is developing a database which will contain public information on NGOs. On-line access by the public is scheduled for 1994.

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STAFF

Françoise Montant

Danielle Ecoffey

Dominique Coussinet-Coussière

Fabienne Breccolini-Mulatero

Programme Manager

Programme Officer

Administrative Assistant

Documentalist

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The aim of the Centre for Applied Studies in International Negotiations (CASIN), established in 1979 as a non-profit independent foundation, is to assist international negotiators (diplomats, national and international civil servants, union leaders, businessmen, representatives of non-governmental organizations, etc.), to develop new attitudes and new techniques: the capacity to anticipate and to identify long-term implications, the ability to grasp the meaning of complex and widening contexts, the sensitivity to perceive and understand the point of view of other parties, the skill to develop innovative policies and strategies and to present approaches for mutual gain.

The objectives of CASIN are also to contribute to the discussions of complex and conflictual issues and to facilitate the dialogue between stakeholders. CASIN pursues this aim by organizing continuing education and training programmes, issue and policy dialogues, seminars, informal negotiations and research related activities.

The Non-Governmental Organizations Programme is a research, information and dialogue programme, which falls within the activities of CASIN. The aim of the Programme is to contribute toward a better knowledge and understanding of NGOs and their involvement in selected issues.

*For further information, please contact:
Ms Françoise Montaru, Programme Manager*

*Centre for Applied Studies
in International Negotiations (CASIN)
11a avenue de la Paix
1202 Geneva 11
Telephone: (4122) 734 89 50
Telefax: (4122) 733 64 44
Telex: 412 151 (pax ch)*

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CENTRE FOR APPLIED STUDIES IN INTERNATIONAL NEGOTIATIONS

NGO PROGRAMME

ANNUAL MEMBERS' MEETING

22 September 1993

Villa Rigot
9, av de la Paix 1202 Geneva
tel. 22/733 26 92 or 734 32 35

AGENDA

- | | |
|---------------|--|
| 14:30 - 16:00 | Non-Governmental Organizations Programme:

Discussion on:

. the activities of the NGO Programme in 1992 - 1993
. the proposed programme of activities for 1994
. computerization of NGO data and on-line access to the Programme database
. budget and accounts for 1992
. proposed preliminary budget for 1994 |
| 16:00 - 16:30 | Coffee Break |
| 16:30 - 18:00 | Non-Governmental Organizations Programme
(continued) |
| 18:00 | End of the Meeting |

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CENTRE D'ÉTUDES PRATIQUES DE LA NÉGOCIATION INTERNATIONALE
CENTRE FOR APPLIED STUDIES IN INTERNATIONAL NEGOTIATIONS

LIST OF PARTICIPANTS

September 22-23, 1993

* * *

Mr Alain AUMONIER	Roussel Uclaf European Public Affairs
Ms Jill GATCUM	Unilever Public Affairs
Mr Jean-François GAULIS	International Federation of Pharmaceuticals Manufacturers Association - IFPMA Director
Mrs Joy MANNERS	Shell International Petroleum Company Ltd. International Affairs
Mr Alan PAYNE	International Primary Aluminium Institute Secretary General
Ms Isobel NORWELL	British-American Tobacco Company Ltd. Manager Corporate Communication
Ms Veronica ROY	Nestlé Corporate Affairs Department
Mr Otto WILDGRUBER	Siemens AG, Power Generation Group Head of Public Relations International

Mr Jean F. FREYMOND	Director, CASIN
Ms Françoise MONTANT	Programme Manager, CASIN
Ms Danielle ECOFFEY	Programme Officer, CASIN
Ms Dominique COUSSIRAT-COUSTERE	Programme Assistant, CASIN
Ms Samiha RAZA	Rapporteur

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LIST OF MEMBERS OF THE ISSUES AND NGO PROGRAMME

As of January 1st, 1993

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BRITISH AMERICAN TOBACCO	Ms Heather Cooke <i>Information Officer</i>
	Mr Brendan Brady <i>Manager</i> <i>Public Affairs</i>
BRITISH PETROLEUM	Mr Charles Nicholson <i>Head of Corporate Affairs</i>
CIBA-GEIGY A.G.	Mr Félix Nicolier <i>Project Leader</i> <i>Ciba-Geigy Foundation</i>
EUOPRAXIS	Mr Jean-Pierre Hulot <i>President</i>
HEINEKEN	Mr J.C. Banz <i>Director</i> <i>Public Affairs</i>
INTERNATIONAL FEDERATION OF PHARMACEUTICALS MANUFACTURERS ASSOCIATION - IFPMA	Mr Jean-François Gaulis <i>Director</i>
INTERNATIONAL PRIMARY ALUMINIUM INSTITUTE - IPAI	Mr Alan Payne <i>Secretary General</i>
MONSANTO EUROPE	Mr Kenneth Baker <i>Director</i> <i>Public Affairs Department</i>

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NESTLE SA

Mr Claude Weber
*Department of Public Affairs
Director*

Ms Veronica Roy
*Issues Analyst
Corporate Affairs Department*

L'OREAL

Mr Michel Gillet
*Director
Scientific Relations*

PHILIP MORRIS

Ms Sunaina Virendra
*Corporate Affairs
Philip Morris International*

Ms Eva Montgomery
*Documentalist
Philip Morris Europe EEMA*

Ms Claire Marchand
*Supervisor Information and
Documentation
Philip Morris Corporate Services*

ROUSSEL UCLAF

Mr Alain Aumonier
European Public Affairs

SANDOZ INTERNATIONAL AG

Mr Colin Preston
*Assistant Vice-President
Corporate Communications*

SHELL INTERNATIONAL PETROLEUM

Mr Keith Cook
Agricultural Public Affairs Manager

Ms Joy Manners
International Affairs

SIEMENS AG, KWU Group

Mr Otto Wildgruber
*Head
International Public Relations Dept.*

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UNILEVER

Ms Marion George
International Affairs Manager
Public Affairs Department

WASTE MANAGEMENT INTERNATIONAL

Mr William Seddon-Brown
Director
European Government Affairs

ZENECA LIMITED

Mr Chris Major
Public Affairs Manager
ZENECA Group PLC

Mr J.F. Cheshire
Manager of Public Affairs Department
ZENECA Pharmaceutical

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CENTRE D'ÉTUDES PRATIQUES DE LA NÉGOCIATION INTERNATIONALE
CENTRE FOR APPLIED STUDIES IN INTERNATIONAL NEGOTIATIONS

FACSIMILE TRANSMISSION

TO: BAT

ATTENTION OF: Ms Sophia Yena
Secretary of Mr Brendan Brady

FAX NUMBER: 0044784/448 391

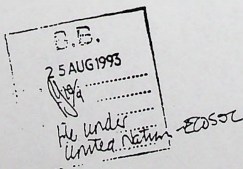
FROM: CASIN

DATE: 25.8.1993

NUMBER OF PAGES (including this one): -4-

MESSAGE:

Further to your fax of today, we send you herewith details about the procedure of the ECOSOC resolution on tobacco.



CENTRE D'ÉTUDES PRATIQUES DE LA NÉGOCIATION INTERNATIONALE
CENTRE FOR APPLIED STUDIES IN INTERNATIONAL NEGOTIATIONS

MEMORANDUM

To:

From: C.A.S.I.N. NGO Programme

Date:

Concerns: ECOSOC Debate on the Resolutions on Tobacco or Health

Further to our fax about the debate on the multisectoral collaboration on tobacco or health, we send you an outline of the discussions on resolution L 32 on "Multisectoral Collaboration on Tobacco or Health" (which you received last week). You will find also a first list of amendments (see attachment 2) and a second list of amendments (see attachment 3) proposed for the debate with the names of the country which suggested the amendments.

The procedure about L.32 has been the following:

1. the draft resolution has been introduced orally at the plenary (22.7.1993) by its "sponsor country": Australia, with the support of "co-sponsor countries": Canada, the United Kingdom and the USA. (see Attachment 1)
2. internal consultations took place between interested delegations which led to several amendments to the draft resolution
3. the draft resolution and its amendments have been discussed at the "informal consultations". The informal consultations are private meetings where draft resolutions and proposed amendments are discussed and agreed. Agenda item relating to Tobacco was discussed (amongst other items) on July 28 and 29. This procedure aims at relieving the plenary of long debates. All interested member states can participate to those consultations. For summary of debate, see below.
4. the agreed amended resolution is then transmitted to the plenary for the vote. However, countries can still make statements on the text in the plenary. The text of the resolution is then issued as an official ECOSOC resolution

We hope that this memo is not too confusing but we wanted to give you the main details of the debate, the way it developed and the reasons behind the amendments.

SUMMARY OF DEBATE IN THE INFORMAL CONSULTATION

List of countries which intervened in the debate:

Algeria, Australia, Austria, Benin, Brazil, Cuba, Germany, Malaysia, Mexico, United Kingdom, USA, Zimbabwe, plus representative of WHO, Dr Maaza Bekkele.

Australia - as the main sponsor - actually introduced the Resolution to the floor. However, the United Kingdom soon took over the leadership of the debate from Australia.

On another hand, Cuba, without really opposing the Resolution, often interfered proposing several amendments.

Headlines of the debate:

Between the informal consultation meeting of the 28th and that of the 29th, co-sponsoring countries agreed to reduce the number of amendments. Therefore, the second list of amendments was informally accepted at the informal consultation, except for two main points (point 1 and 2 hereunder) and several other details:

1) Cuba insisted on having a new preamble par. 8 (existing in the 1st list of amendments) but which was withdrawn by the co-sponsors from the second list, for being deemed "inappropriate". Cuba asked that "indigenous populations and other populations" be mentioned. The reason for this request is that in Cuba, there is a use of tobacco which should be taken into account and which is not linked to indigenous populations but rather to a custom in Cuban population in general.

UK said that its delegation, together with a number of others, had some difficulties with the amendment proposed by Cuba, considering it rather odd to single out certain practices for certain groups, referring to the abuses that such practice entail (when we think of drug abuse, for example).

Benin said that it had its own reasons for requesting the deletion of the terms "some indigenous populations" which is not acceptable for African countries.

Mexico, for its part, in an effort towards a compromise, suggested the following amendment to the Cuban amendment: instead of "should be respected", he suggested "should be duly taken into account".

Then the UK, stressing that the Mexican was going in the right direction, suggested that the text read as follows: "Acknowledging that cultural practices and customs relating to the use of tobacco should be duly taken into account in developing multisectoral approaches to the tobacco or health issues", which was agreed by all delegations.

2) The second point to raise difficulties is preamble par. 5 relating to the World Bank. Cuba suggested to delete the whole par. Along the same line, Mexico, wondered whether this Resolution had to do with financing or with health. They consider themselves that the WB has nothing to do with health directly. As for the UK, they stressed that this par. represents a factual statement (beginning with "Noting"), hence should not raise any problem. In addition, the text of the par. had been approved by the WB representative.

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Benin claimed that it is not up to the WB to deal with health matters and that it is not serious that such a Resolution should refer to the WB. In their opinion, WB deals with development above all. Benin, together with Malaysia and Zimbabwe proposed to delete the whole par. Then Algeria made an interesting comment: they find it odd that, under certain circumstances, it can be referred to the WB, whereas in others, it cannot, depending on the interests at stake. They probably referred to past resolutions concerning development issues where industrialized countries such as the UK wished to keep the WB apart from the UN System. The USA emphasized that it was relevant to mention the Bretton Woods institutions in the text of the Resolution as the whole Resolution deals indeed with "Multisectoral Approach". The UK then proposed the following compromise: whereas they do not have any objection to the par. on the WB, in a spirit of compromise, they accepted to delete the part of the text appearing between the two commas. All delegations accepted this UK amendment.

The term "pandemic" used in preamble par. 2 and operative par. 8 raised a nourished debate. Both Benin and Brazil requested clarification on the very meaning and use of the term. Benin wondered why "pandemic" is used for tobacco when it is usually utilized relating to HIV. As for Brazil, he noted that it is incorrect to use the same term ("pandemic") for HIV and tobacco, taken into account that HIV is a virus, and tobacco is a plant! He wondered if "pandemic" might also be applicable to alcohol?? At the request of the President of the consultation, the WHO representative (Dr Maaza Bekele) provided the following explanation: "Pandemic" refers to a situation which affects every single country in the world. Following this explanation by WHO, Benin suggested to delete in operative par. 8 the world "global" judging it redundant.

Finally, in preamble par. 4, Benin asked for clarification about the addition of the expression "under the auspices of WHO" which they found ambiguous. In a humorous tone, France answered that one thing was clear for sure, no post of under-secretary general was to be created for Tobacco or Health. Cuba recalled that this par. had been one of the most debated. The mention of WHO means that the "focal point" will be in WHO and will coordinate the multisectoral approach. The President concluded that this understanding could be agreed upon.

The final text was forwarded to the Plenary and adopted by the latter by consensus (see attachment 4). Only two delegations made statements in the Plenary. The UK stated that, despite their full support to the resolution, they had to withdraw their co-sponsorship "for technical reasons". Brazil, for its part, expressed its gratitude towards those who worked on this Resolution which gives a balanced approach to curbing demand which it sees as the only way to limit tobacco consumption.

ACTIVITY REPORT

July 1994

ECOSOC

An interim report by the Secretary General on progress made in the implementation of multisectoral collaboration on tobacco or health was given at ECOSOC's Substantive Session in New York, 27th June - 29th July. Copies of the full text are available from TDC but the major points are summarised here.

The report provides an inventory of activities in the UN system as well as relevant other intergovernment and non-government organisations in the area of tobacco or health and concludes that a two prong approach - tackling simultaneously both the production side and the consumption side of the issue - is essential. The UN focal point on tobacco or health is stated to be "an ideal mechanism for ensuring that (the) multisectoral approach takes place in a timely and effective way", noting that no single organisation can hope to achieve the goals of Council resolution 1993/79.

However, further development of component action plans will depend upon the availability of the necessary resources both within the participating organisations and within the focal point itself for progress to be made. Thus far, attempts to raise such funding from extrabudgetary sources have not been successful. The report notes that unless such resources become available, "it is difficult to envisage a full and effective response to the resolution."

Of the 36 UN organisations and bodies contacted, 20 had been received by the focal point at the time this report was prepared. Of these 20, six submitted individual plans of work (FAO, ICAO, UNCTAD, UNICEF, UNDO and WHO) and five (ILO, World Bank, UNICEF, the International Trade Centre and the Department for Economic and Social Information and Policy Analysis of the United Nations Secretariat (etc)) "manifested a keen interest in co-operating with the WHO and the focal point..."

A number of other organisations and bodies (the Economic Commissions for Europe, Latin America and the Caribbean and Asia and the Pacific, the International Maritime Organisation, LNDP, UNEP, the United Nations Population Fund, the World Food Programme, and the World Meteorological Organization), while supportive of the resolution, considered that the scope of the work fell outside their areas of competence or that they had neither the mandate nor the resources to submit individual plans of work.

The response from the WHO outlined its plans for 1994 in the areas of national tobacco

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control, advocacy, and data centre activities, the latter including preparation of the first draft of a world atlas on tobacco or health. It also cited the provision of assistance to ICAO (in respect of the World Health Assembly's call for a ban on smoking on international flights by 1st July 1996) and the World Bank (in implementing tobacco control activities as set out in its *World Development Report 1993: Investing in Human Health*). The WHO will seek to increase the number of countries with national programmes for the prevention and reduction of tobacco use to 50 per cent of member States by the year 2000.

Work on tobacco undertaken by the FAO falls into two broad areas: production and marketing. It notes that it is unlikely that any single crop could replace tobacco as a comparable income source and therefore a wide range of lesser cash crops have to be considered to serve specialised market niches. In its response, the FAO suggested that the focal point on tobacco or health should make concrete proposals for inter-agency consultation and system-wide collaboration. Interestingly, it also asserts that multisectoral priorities may have to take into account the fact that "poverty and malnutrition may be linked to greater health risks for a larger number of people (particularly in developing countries) than tobacco".

The FAO's submission also included a position paper on tobacco cultivation. This was drawn up some years ago and still serves as the current guidelines for FAO work in the sub-sectors. This acknowledges that tobacco cultivation represents an important source of employment and cash income in all countries where the crop is produced and that tobacco also represents a very important source of tax revenue. Furthermore it asserts that tobacco cultivation in developing countries may be of fundamental importance in achieving short- and medium-term development objectives. "(T)he ultimate objective to reduce tobacco production is necessarily a long-term process. Any rapid movement in this direction would not only be impracticable but would probably lead to a serious dislocation of economic resources in the countries concerned."

Whilst restating its support for the WHO's efforts to discourage demand for tobacco, the FAO's position paper states that it cannot exclude recommending development of the (tobacco) crop in such cases where the overriding economic considerations so warrant. In cases where it is neither feasible nor acceptable to grow alternative crops, the FAO will, wherever appropriate, recommend the possibility of producing mild leaf. The organization "stands ready, subject to the availability of funds, to assist any Government that requests investigation of the possibility of diversification from tobacco production."

The Secretary General's report noted that UNCTAD is in the process of preparing a report concerning the impact of tobacco production on the economies of tobacco-producing countries, in particular those that depend upon tobacco as a major source of income.

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(This is the paper being prepared by David Elliot in Geneva, to which the ITGA has contributed information, and which we understand should be available by year end.) It will deal exclusively with the economies of tobacco-producing countries and cover the following areas:

- (a) production and export earnings, involving a detailed analysis of national and global statistics of the tobacco sector;
- (b) income, employment and resources used in tobacco production and manufacturing;
- (c) government revenues from tobacco and subsidies for tobacco production.

UNCTAD also envisages, subject to the availability of extrabudgetary resources, to make a contribution to the objectives listed in the ECOSOC resolution, particularly those concerned with bilateral and multilateral collaboration on agricultural diversification and the assistance of "economies for which tobacco is a major export and where demand for their tobacco products has decreased as a result of successful strategies for tobacco control".

The many UNICEF programmes that focus on children and youth in especially difficult circumstances will continue to strengthen the components of their programmes that focus on tobacco issues. It will continue to take advantage of opportunities for advocacy through the Office of the Executive Director and through strengthening relevant sections of publications that are produced and disseminated by UNICEF and will be participating at the upcoming International Conference on Tobacco or Health in Paris. It will continue its current strategy of mobilising and linking with other organisations and identify new opportunities for collaboration.

The UNIDO position on the reduction of tobacco production is based on the fact that tobacco growing is just one component in an agro-industrial system and that any adequate alternative must address all aspects of the entire system, including the marketing aspect. It suggests that a comprehensive study on the impact of the "entire tobacco agro-industrial system" on the economies of countries involved in its production should be undertaken. Phase 1 of such a study should deal with the agricultural aspects of the tobacco industry and probably best be undertaken by the FAO. Phase 2 should deal with all aspects of the manufacturing industry and would thus fall within the agro-based industries field of activities of UNIDO. It is planned that UNIDO will discuss with the focal point in Geneva the preparation and implementation of Phase 1 of such a study. With regard to Phase 2, UNIDO will prepare and submit to donor countries a project proposal which will examine the impact of tobacco reduction on the GDP

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of selected tobacco growing and processing countries, with special emphasis on developing countries. Phase 2 will also evaluate the impact of tobacco reduction in terms of jobs and taxes and "will propose practical alternatives in the area of high value-added agro-industrial processed products". Progress towards actioning the proposed study will, again, be subject to the availability of extrabudgetary funds.

At the present time, ICAO is complying with the request of its Assembly that the ICAO Council intensifies its studies into the safety aspects of banning smoking on board aircraft following its Secretary-General's call on Member states to take steps to implement a smoking ban on all flights by 7th December 1994 - the fiftieth anniversary of the signing of the Convention on Civil Aviation. An analysis of the results of a questionnaire sent to all member States should have been completed by May this year but the findings, if available, were not included in the report. Notwithstanding this delay, ICAO is fully committed to the UN multi-sectoral collaboration on tobacco or health.

As a tripartite organisation (of workers, employers, and governments), ILO's contribution to multisectoral collaboration would consist primarily in helping to make relevant information available to workers and employers. It will not be submitting a specific work plan. UNESCO noted that through its education programmes against drug abuse, including tobacco, it is ready to co-operate with the focal point. The Statistical Division of the UN Secretariat (UNSTAT) would "like to be actively involved in any multisectoral activities...with a view to further developing that very important area of statistics" (on tobacco and smoking in their social and economic context).

No reference is made to the submissions from either the World Bank or the International Trade Centre.

The report lists 31 intergovernmental organisations and bodies of the UN which have been contacted by the focal point, of which 15 had replied at the time of the preparation of the report. In general, it is claimed, the organisations contacted were supportive of the text and objectives of the Council resolution 1993/79. (Since a significant majority of those contacted had not replied, it is rather difficult to see how this conclusion is reached!). Fifty six relevant non-government organisations were also contacted and replies received from 20:

The American Cancer Society, ASH, Association africain d'éducation pour le développement, Le Comité National français contre le Tabagisme, BASP, The European Medical Association Smoking or Health, The International Committee of the Red Cross, The International Council on Alcohol and Addictions, The International Council of Jewish Women, The International Olympic Committee.

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IOCU, ISO, The International Society and Federation of Cardiology, IUAC, The International Union Against Tuberculosis and Lung Disease, The Non-Smokers' Rights Association, The Women's International League for Peace and Freedom Organization, The World Conference on Tobacco or Health, The World Organization of the Scout Movement, World Vision International.

The Red Cross welcomed the adoption of the resolution but indicated that its mandate did not include any specific reference to tobacco; ISO reported that contacts were made between the WHO and ISO's central secretariat in 1993 in order to establish co-operation and it also suggested the appointment of an ISO representative to the focal point at UNCTAD; the Non-Smokers' Rights Association stated that it was not currently in a position to commit itself to additional collaboration and responsibility; World Vision International has taken a strong stand on tobacco and is strongly opposed to the production, manufacture, sale and transportation of tobacco related products, as well as to advertising, especially in developing countries.

Meeting with Raul Uranga (UNCTAD)

As head of UNCTAD's focal point on tobacco or health, Raul Uranga attended the ECOSOC meeting to deliver his report on 27th July. At the ITGA's request, and acting on its behalf, Lisa Eddington, of the Tobacco Growers' Information Committee in Raleigh N.C., met with Uranga in New York on the 29th.

At the ECOSOC meeting, Uranga was asked to trim his presentation to a mere five minutes. This angered him and he was subsequently dismayed that not a single question was asked following his presentation and before the assembly moved quickly on to an unrelated issue.

He has offered to send on a copy of the final resolution, with which he seemed pleased, even though it apparently directs him to continue working with "any countries which ask for his help". It appears that funding to support additional work at the focal point cannot be provided and for this reason UNCTAD's subsequent reports will be minimal.

He was very impressed with the information provided to him by the ITGA and said that he reads and analyses the reports with great care. *Tobacco Trade or Aia?* and *Sustainable Alternatives?* were discussed at length. Whilst he appreciates the arguments made in *Trade or Aia?*, he was critical of the fact that the study focused only on developing countries and would like to see a study on how developed countries have been and are threatened on social and economic fronts by anti-tobacco activity. In particular, he suggested a study focused on

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the US tobacco industry - "a mature and thoroughly evolved industry" - since he believes that it is the developed countries which are threatened most at this time.

Arrange wants very much to receive from the ITGA and other tobacco organisations around the world information which contains "non-biased facts on tobacco and trade which are in the form of raw data" and "not interpreted or filtered by any organisation".

Whilst he was very clear in his belief that smoking is bad for health, he fully supports the principle that tobacco is a legal product, although he insisted on calling it a drug. He was found to be a very likeable person who takes a fairly balanced view of tobacco issues. He was quite frustrated with the bureaucracy of ECOSOC and was not at all pleased about the way his report was cut short and received no response from the audience. He said that he would very much like to attend the tobacco congress at TABEXPO which is scheduled to address many international trade issues.

Tobacco Briefing

The first edition, on 1993 World Tobacco Production, has been received from the printers and will be distributed shortly. The second edition, on tax changes in Canada, is to be printed later this month and will be available for distribution during September.

Future Known Movements

16th - 31st August	Vacation
4th - 10th November	ITGA General Meeting, Tilsonberg, Canada

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STRANGE BEDFELLOWS IS ITGA GETTING HOODWINKED BY WHO?

GENEVA — Leaders of the world's tobacco growers met a senior delegation from the World Health Organization (WHO) in Geneva to discuss the long-term prospects of growers and their national economies.

Richard Tate, president of the International Tobacco Growers' Association (ITGA), said 33 million people derive their livelihood from tobacco growing and early stages of its processing, mostly in the developing world.

The ITGA was established in 1984 to bring together tobacco growers' associations from all over the world. Its 21 members produce more than 80% of the world's internationally traded tobacco.

"The case put to WHO was that it must take into account the impact of its Tobacco Free Initiative and the Framework Convention on Tobacco Control upon farmers, their families, communities, and national economies," he said. "The grower economies are not necessarily the consumption economies."

Tate said ITGA gave its full support to WHO's focus on eliminating malaria and HIV/AIDS. "Many of our members are from developing countries and know the suffering and distresses caused by both diseases," he said. "This is the type of fundamental public health campaign that we applaud."

"In Zimbabwe, for example, tobacco farmers have set up one of the most extensive HIV/AIDS prevention programs in rural areas. Without their action, there would have been few resources available to combat this terrible scourge.

"Although it may be difficult for WHO to align itself with ITGA, the [United Nations] body can be assured of our support should the opportunity to work



together arise. We hope that the dialogue started in Geneva will continue."

For its part, WHO has called on all tobacco growers to back its efforts to give the world its first public health treaty, the Framework Convention on Tobacco Control.

In 1993, Dr. Derek Yach, the head of WHO's Tobacco Free Initiative, told delegation of ITGA, "WHO is not against tobacco farmers, but as the world's premier health agency, WHO is committed to addressing the to-

bacco epidemic."

Yach chaired the meeting between public health professionals and the association in Zimbabwe. He invited the organization to work with WHO, the World Bank, and other international agricultural agencies to explore long-term options for what is curiously called "crop substitution."

WHO Director-General Dr. Gro Harlem Brundtland also has identified global tobacco control as one of her major priorities.

She said the Framework Convention, the world's first multilateral convention focusing specifically on a public health issue, would deal with a range of tobacco-related issues, but it would also ensure that individual countries are "protected from the impact of multinational tobacco companies."

Yach told the delegation that tobacco multinationals were shifting their focus to developing countries. "WHO cannot simply stand by and count the dead," said Richard Peto, scientific advisor to the Tobacco Free Initiative.

International Tobacco Growers Association – Secret documents

1. December 1988: MEMO from G. Bible (now CEO)

PM #2021596422 to 202159643

To: Distribution Attached
From: Geoff Bible
Subject: Corporate Affairs Conference / Action Plan

Date: December 13, 1988

Confidential

Schedule of issues / responsible party / timing of plan

1) WHO / UICC / IOCU Initiative

This organization has extraordinary influence on government and consumers and we must find a way to diffuse this and re-orient their activities to their prescribed mandate. In addition, we need to think through how we could use our food companies, size, technology, and capability with governments by helping them with their food problems and give us a more balanced profile with the government than we now have against WHO's powerful influence.

2) Our tactics are the same old tactics that have not proved to be very convincing or successful. We need new thinking, lateral thinking and new ideas.

18) ILO: The aim is to inhibit incorporation of ILO into WHO Anti-smoking program

Action: Take urgent steps to contact Worker/Employer leaders of these groups in the ILO Governing Body.

19) LIBERTAD:

- a) The discussions here reminded me of the 5% and 3% levy on tobacco sales in Victoria and South Australia to be used to buy out tobacco sports and cultural sponsorships. This emerged from WHO's program. This is a very effective strategy that we must stop. The question is how?

2. January 1989: Options are written down

PM #2021595895 to 2021595905 Date 1989-01-30

OPTION 1 - Mobilize Global Agro-Lobby

- | | |
|---------------------|--|
| 1.1 Programme Goals | 1.1.1 Create global organization |
| | 1.1.2 Organize regional lobbies |
| | 1.1.3 Fund central executive |
| | 1.1.4 Set Communications material |
| | 1.1.5 Create propaganda material |
| | 1.1.6 Manage political education |
| | 1.1.7 Develop Third World economic cases |
| | 1.1.8 Link agriculture lobby with other programmes |

...

- | | |
|---------------|----------------------------------|
| 1.3 Benefits? | 1.3.1 Purity of agro-lobby |
| | 1.3.2 Power of agro-constituency |
| | 1.3.3 Useful Third World Bias |

OPTION 2 -Manage F.A.O. Lobby

- | | | |
|-------------------------|-------|---------------------------------|
| 2.1 Programme goals | 2.1.1 | Split F.A.O./W.H.O |
| | 2.1.5 | Destroy crop substitution myths |
| | 2.1.6 | Focus on Third World |
| 2.2 Possible structures | 2.2.1 | Infotab sub-group |
| | 2.2.2 | I.T.G.A. |
| 2.3 Benefits? | 2.3.1 | Counter W.H.O. crop propaganda |

OPTION 3 - Attack W.H.O.

- | | | |
|-------------------------|-------|---------------------|
| 3.2 Possible structures | 3.2.7 | I.T.G.A./agro-lobby |
|-------------------------|-------|---------------------|

OPTION 4 - Negotiate with W.H.O.

- | | | |
|-------------------------|-------|--------------------------------------|
| 4.1 Programme Goals | 4.1.1 | Reduce dialectic tilt |
| | 4.1.2 | Defuse peripheral activists |
| | 4.1.3 | Create climate of progress |
| | 4.1.7 | Major on real issues (e.g. children) |
| 4.2 Possible structures | 4.2.1 | Infotab |
| | 4.2.2 | Third-party institution |
| 4.3 Benefits? | 4.3.4 | Improve industry image |

3. November 1989: inter-office correspondence

PM # 2023270378 to 2023270380

Philip Morris International inc. inter-office correspondence

To: Mr. Frank Resnik November 9, 1989

From: John Dollison

Subject: Infotab Meeting - November 8, 1989

WHO Action Plan

The plan was approved including a one year trial of the proposed publication

Tobacco Action Plan

The plan was approved, a CEO should be appointed to the ITGA by early 1990 and the Global Issues Working Party (GIWP) are to prepare a program for each company to assist in recruitment of member countries. The group will also develop a plan to develop a plan to enlist the support of the Central Banks of tobacco growing countries.

Seventh World Conference

The GWIP is to prepare a proactive program including the ITGA, Smokers' clubs, etc. to address the media from the conference.

4. 1990: Strickly confidential PMI Corporate Affairs Action Plan 1990

PM #250019979 to 250019999

PMI Corporate Affairs Action Plan 1990

Strickly confidential (handwritten note)

Anti-tobacco network

Question WHO strategy on tobacco

- > Publicize FAO papers on tobacco
- > Publicize ILO papers on tobacco
- > Identify expert spokespeople on FAO/ILO study and prepare media plans
- > Encourage membership of ITGA to assist relationship with FAO (prepare list of target countries)
- > Test WHO regions office support on WHO priorities in Latin America
- > IF WHO regional office strategy is successful in Lation (sic) America, apply in Africa, Philippines and India i.e. encouraging WHO to redirect its priorities to its original mandate
- > Request GAO to review U.S. funding priorities of WHO
- > Work with selected journalists to question WHO priorities, budget, role in social engineering, etc. prior to WHA May 1990 meeting
- > Prepare program to address April 1990 conference on smoking and health including ITGA, expert spokespeople selected journalists, libertad conference
- > Approach allies in large growing countries to raise questions about WHO priorities eg. Latin America Tobacco Council, Minister of Health of Malawi

Examine activities of IOCU

- > Organizae international agricultural campaign including health and nutrition, tobacco impact, tobacco trade
- > Establish 'think tank' to develop strategies on WHO/IOCU including consideration of conference on priorities, extremism



INFOTAB International Tobacco Information Centre

FAX

To: Board Members Date: 11th October, 1988
From: John Bloxidge
Ref: International Tobacco Growers' Association (ITGA)

The following proposal is supported by Lester Pullen, and is recommended to you for urgent approval:

1. INTRODUCTION

- 1.1 We need to develop the agriculture lobby. Its "integrity" and independence are of great potential value, both at NGO and regional level.
- 1.2 We must ensure that the growers stick to politics, and do not seek to use the global organisation to gang up on manufacturers.
- 1.3 The nearest thing to a 'global' organisation is the International Flue-Cured Tobacco Growers' Association. It is poorly run and inadequately funded, but it contains the core of a genuine "I.T.G.A." - with full geographic spread. Burley and oriental associations could be persuaded to join.
- 1.4 The "I.T.G.A." might get fully accredited observer status at the F.A.O.

2. PROPOSAL

- 2.1 INFOTAB should be authorized by the Board to assist the formation of the "I.T.G.A."
- 2.2 INFOTAB should be used by the industry as the channel whereby funding assistance is given to the agriculture lobby.
- 2.3 The I.P.T.G.A. should be based in Brussels, Paris or London. Full-time Chief Executive; Board Representative of global spread of interests; minimal Secretariat.

2.4 Initial funding should be arranged as follows:

Growers:	US\$ 100,000
INFOTAB:	US\$ 200,000
Monopolies/Processors	US\$ 100,000

The funding imbalance is due to the foreign exchange and other difficulties faced by national growers' association members of I.T.G.A.


- 2.5 INFOTAB should be authorized now to guarantee \$100,000 (of total \$200,000) funding from 1989 onwards, in order to give 'activist' members (like Zimbabwe) enough backing to get the project off the ground.

3. BENEFITS

- 3.1 Manufacturers, through INFOTAB, would "control" the primary funding of the organisation, and would thus be able to ensure that it stuck to politics.
- 3.2 The I.T.G.A. would have the clout to combat idiotic crop-substitution programmes.
- 3.3 The I.T.G.A. could "front" for our third world lobby activities at WHO, and gain support from nations hostile to MNCs.
- 3.4 The I.T.G.A. (pushed by us) could activate regional agriculture lobbies which are at present very weak and resistant to industry pressure.

Your early agreement would enable us to get the project moving before the November I.F.T.G.A. Conference meets to agree 1989 strategy.

Regards,


J. A. Bloxidge

THE AGRO-TOBACCO PROGRAMME

- Some Background Notes -

The principal objective of the programme is to promote the arguments detailing the benefits arising from the cultivation of tobacco, thereby demonstrating the global threat posed to the future of tobacco farming by anti-tobacco initiatives at international, regional and national levels. Activities in support of this objective are increasingly being undertaken through the International Tobacco Growers' Association (ITGA) which is becoming the effective international voice of the 33 million people worldwide who are engaged in tobacco growing. The major planks of the agro-tobacco platform are (a) the economic benefits of tobacco production, particularly in developing countries, (b) the social benefits, such as employment in rural areas, and (c) the general agricultural development benefits arising from tobacco cultivation.

The primary focus of the agro-tobacco lobby effort has been at the WHO and the FAO. Support generated for the farmers' case, particularly amongst African and Latin American representatives to these agencies, has been reflected in two significant developments in both UN agencies. Firstly, at the World Health Assembly it has been acknowledged that the Tobacco or Health programme should take account of the economic consequences of its actions. Secondly, mobilisation of support amongst key Permanent Representatives to the FAO has ensured the publication of two seminal studies on tobacco. In addition to adding further authoritative substance to the growers' case, the FAO reports' prognosis of increasing demand for tobacco through to the year 2000, severely embarrassed the WHO and its ambitions for the Tobacco or Health programme.

The success of these of lobbying efforts has built upon relationships and tactics developed over a number of years. With the emergence of the ITGA as a pro-active and adequately resourced organisation, however, the strength of the agro-tobacco programme has been enormously increased. Arguments previously advanced on behalf of the growers are now voiced directly; their developing countries' constituency is a powerful political asset; and, at a national level, its members can access government through channels less readily available to the manufacturing sector.

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By providing the resources necessary to transform the ITGA from an introspective and largely ineffectual trade association to a pro-active, politically effective organisation, the industry created the opportunity to capture the moral high ground in relation to a number of fundamental tobacco-related issues. Moreover, tobacco growers' motivation and self-esteem, previously diminished in a climate of anti-tobacco opinion, is being restored by the ITGA's advocacy.

In support of its lobbying activities, the ITGA published in April 1990, its comprehensive position document *Tobacco in the Developing World*. This was extensively distributed to key agriculture and development media around the world and provided appropriate support to the lobbying activities undertaken in Geneva in the run-up to the World Health Assembly in May of that year. It also provided the opportunity to pre-empt IOCU's publication *Tobacco Control in the Third World*, at the 7th World Conference on Tobacco and Health, in Perth.

Taking the opportunity to build on the success of *Tobacco in the Developing World* and to extend the reach of the agro-tobacco case, the ITGA has embarked on the production of a quarterly broadsheet, *Tobacco Forum*. This provides the vehicle to develop and refine the broad argumentation base, and to target particular items on the anti-tobacco agenda. *Tobacco Forum* is produced in a style which will encourage re-publication of its articles in other print media, thereby offsetting the severe imbalance in media treatment of tobacco issues.

The thrust of the agro-tobacco programme is thus channelled through two interrelated primary activities - lobbying and publication. Uppermost in the lobbying element is the need to consolidate and extend the activities in and around the WHO, FAO, and other UN agencies such as the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), which will be increasingly drawn into the tobacco debate. The ITGA's stature will be enhanced if it can achieve Specialised Consultative Status with the FAO. For this, it will have to demonstrate, through collaborative activities, its relevance to the Organisation's objectives.

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THE AGRO-TOBACCO PROGRAMME

- Current Activities -

1. Lobby

1.1. World Health Assembly, May 1991

The WHO's inability to effectively counter the socio-economic questions posed by the lobby in respect of the impact of a successful Tobacco or Health Programme has led the Executive Board to distance the WHO from involvement in the awkward non-health related issues raised.

Objective: To ensure that the concerns of tobacco producing developing countries are reinstated in the World Health Assembly and given proper consideration.

Strategy: To lobby ambassadors from key countries in Geneva in the period immediately before the Assembly and to promote the tabling of an additional Resolution. Details to be determined in consultations with possible sponsors in Africa, mid-March. Support material will include next edition of *Tobacco Forum* which focuses on the question of crop substitution.

1.2. British aid policy in respect of tobacco

The British government has decided it will no longer support the tobacco production sector in developing countries. It will also pursue a similar policy by multilateral aid agencies to which it contributes. It is unlikely that this policy will be reversed.

Objective: To secure the greatest flexibility in the application of the policy to the benefit of tobacco producing developing countries.

Strategy: To be coordinated with other interest groups, including manufacturers, but ensuring that the growers' position is presented independently. To include:

- mobilization of reactions from tobacco producing developing countries.
- briefings for selected UK parliamentarians.
- drawing attention to policy incongruities (e.g. continued support of tobacco growing in Europe through the CAP).

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1.3. The Food and Agriculture Organisation

The FAO is unlikely to become involved in any further direct work on the economic significance of tobacco, nor on demand projections, at least for the foreseeable future. It will remain willing to assist individual governments who specifically request help with tobacco crop substitution programmes but is unlikely to initiate any programmes of its own.

- Objectives:
1. To ensure that the FAO continues to support the fundamental values of tobacco growing.
 2. To secure Special Observer status for the ITGA with the FAO.

Strategy: To maintain contact with key managers within the FAO and amongst the Permanent Representatives in Rome who have supported the lobby hitherto. To satisfy FAO requirements regarding official recognition of the ITGA by increasing the Association's membership and seeking to collaborate with the FAO on issues of common interest.

1.4. Other International Agencies

The "greening" of the anti-tobacco activist programme, as evidenced by *Trade for Life*, calls for a number of UN agencies to add their weight to the anti-tobacco cause, including the United Nations Development Programme (UNDP) and Environment Programme (UNEP). The World Bank, Regional Development Banks, and other donor agencies, are to be asked to fund tobacco control projects.

Objective: To pre-empt the activists' further moves into these organizations and limit the support given to anti-tobacco initiatives.

Strategy: To encourage the UNDP to maintain its agricultural support programmes for tobacco; to draw the UNEP's attention to the tobacco-growing sector's responsible attitude to afforestation, agro-chemical use, and its beneficial role in marginal land utilization and agricultural development. To remind the international banking/funding agencies of the value of tobacco to developing countries' economies.

1.5. United Nations Conference on Environment and Development

UNCED will take place in Rio de Janeiro in June 1992 and will produce a "charter for the 21st century", backed up with specific resolutions or proposals dealing with individual issues. Although unlikely to feature directly in the main conference, environmental issues relating to tobacco, especially deforestation will

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ACTION POINTS AND RECOMMENDATIONS

1. Public Affairs Resource Group Efficiency and Effectiveness

There was overall support for the PARG system although not surprisingly after only one year a number of pros and cons were identified.

Pros

- A good exchange of information where previously there had been very little.
- The creation of a workable early warning alert system in the region, ie. Harare conference, Panos report.
- Development of inter-company Public Affairs training within the group. Kenya being seen as the regional public affairs centre of excellence.
- Regional attention to media coverage rather than national.

Cons

- Millbank role needs clarification. Who is responsible for the African region? What budget if any is available from the RBU for public affairs activity?
- A number of GMs are still not committed to the PARG concept and therefore Millbank needs to take responsibility for selling in the concept to GMs and other senior managers.
- A global PARG report is considered unnecessary as TDC already provide weekly news reports and alerts. It was agreed that a more useful report would be regional in nature and compiled by the regional co-ordinator(s).
- The PARG members have little opportunity to meet to work on regional issues although there are a number of one-to-one meetings. It is suggested that this group meet once per year.

2. All African Tobacco Conference, Harare - November 1993

This conference being organised by the outspoken, infamous anti-tobacco campaigner from South Africa, Dr Yach, is cause for concern.

It is the first of its type in Africa and is likely to be the forerunner to similar high profile attacks on the industry. Even if this conference has a minimal impact, the fact that it is happening at all necessitates the need for action.

A secondary consideration is the control of the Public Affairs response to this conference. If BAT do not take the initiative, Philip Morris will and that could have damaging consequences in the region.

The Public Affairs managers unanimously agreed on the following plan however General Manager consent is needed together with a payment plan.

Harare Conference, BATCo Action

Objective

To minimise the impact of the conference.

Strategy

Respond to conference through comprehensive media relations programme.

Plan

- i) Media Briefing Seminar (see appendix III)

South Africa

5-9 October 1993

Cost \$90,000 + travel and accommodation for journalists.

- ii) Media Training

Zimbabwe

10-12 November 1993

Cost \$200 per delegate + travel and accommodation for delegates.

- iii) Highlight International Aids Conference being held in Uganda in November 1993.

Martin Gwoke to supply further details.

BATCo to devise plan to gain publicity for the conference.

- iv) ITGA to launch booklet 'Trade or Aid' before conference.
- v) Economic impact studies based on the Minster study and operating company updates to be released in the months prior to the conference.

Rothmans
Reubensandt
BAT - control

be raised by anti-tobacco groups seeking to take advantage of the occasion.

Objective: To deliver the message that tobacco's relative importance within the deforestation issue is minimal and that the use of fuel wood by tobacco growers is being dealt with in a responsible manner.

Strategy: To develop a submission, to be delivered through established communication routes for the conference, sufficiently broad on the environment issue to put tobacco into context within the total mix. To be coordinated with AFUBRA and ABIFUMO in Brazil, but including participation from ITGA member organizations, including local lobbying of national delegations to UNCED.

2. Publications

A major element of the overall programme's resources is being applied to the publication and distribution of *Tobacco Forum*. To date two editions have been produced, the first focusing on Africa, the second on the issue of wood fuel. At the end of April, and in support of the lobbying activities around the World Health Assembly in May, the third edition, on crop substitution, will be distributed. This will include an additional centrefold comprising a world map detailing 1990 tobacco production masses from 104 countries.

Objectives:

1. To restore media balance in the treatment of tobacco related issues, especially in Third World countries.
2. To influence the international debate on such tobacco related issues at international, regional, and national levels in support of tobacco growers' legitimate concerns and the lobby programme activities.

Strategy: To produce a regular broadsheet (*Tobacco Forum*) which puts readily usable media material in the hands of journalists around the world, especially those identified as having interests in agricultural, developmental, and Third World issues, and to encourage local re-publication. To target the subject matter of each edition on a particular area of concern, linked where appropriate to the lobby programme.

On an ad hoc basis, to research/commission more detailed treatments of particular issues for publication (e.g. *Tobacco in the Developing World*, April 1990).

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To encourage the agro-tobacco programme sponsors to actively participate in the editorial policy of the programme's publications to ensure the objectives are achieved and the required messages delivered.

Subsequent editions of *Tobacco Forum* planned for 1991 are:

- (July) "Focus on Europe", including Eastern Europe and Turkey, in association with UNITAB.
- (October) "Focus on Economic Contribution", including farm-level, regional, and national benefits, especially to developing countries.

In addition, the ITGA expects to publish later this year a helpful and comprehensive treatment of the crop substitution issue by David Patchett, an agricultural economist and consultant to the WHO.

The 1992 publications programme will be determined in the light of lobby programme needs and opportunities including, for example, the United Nations Conference on Environment and Development. It is intended that four editions of *Tobacco Forum* will be produced in 1992 including a review of tobacco growing in Asia.

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- vi) During the conference a communication HQ will be set up with ZTA to issue press statements on behalf of the growers or manufacturers as appropriate. BATCo to supply company responses to issues on conference agenda together with general statement about the conference.

3. Government and NGO Relations

The increasing impact of the World Bank/IMF policy in the region together with the spread of multi party politics has resulted in a need for more focused and effective lobbying nationally, regionally and internationally.

Action

- BATCo to supply lobbying guidelines
- All companies to supply information about local NGO representatives for compilation of regional data base. BATCo to co-ordinate.
- Briefing paper on World Bank/IMF to be circulated to Public Affairs Managers.
- BATCo to re-establish links with African representatives at the World Bank in Washington.

4. Corporate Image (Social, Economic and Environmental Issues)

It was agreed that media, government and NGO relations relied heavily on BAT generated social, economic and environmental stories. Therefore, a more strategic approach is necessary throughout the region which would result in more consistent and effective management of issues such as community relations, donations, sponsorships, economic impact studies and environmental programmes.

Action

- *Create a Tobacco Republic model for Africa along the lines of the Latin American exercise. Using factors such as employment, exports, taxes, land farmed etc, it is possible to build a country with a population and economy entirely dependent on tobacco. Once all of these factors are collated for every country in Africa using existing information an impressive fictional country can be created to show the important social and economic contribution of tobacco in the region.*

A similar exercise has been completed in Latin America and the results used in local and international lobbying.

- BATCo to circulate new donations policy guidelines. Very few companies in the region operate from donation guidelines.
- BATCo to supply a biography of the Panos organisation together with a summary of the Panos report in Uganda.
- BATCo to complete and circulate country reports and Pan African reports resulting from Minster study.

Summary

This was a very productive meeting. The onus is now on BATCo to deliver in a number of areas particularly prior to and during the Harare Conference and in the area of government and NGO relations.

B J Brady
30.06.93

from the ITGA, to talk about the social and economic impact of tobacco in Africa. We could work all of these details out. For a two-day conference (see attached note on logistics) six speakers in total is the ideal number.

300565581



BRITISH-AMERICAN TOBACCO COMPANY LIMITED

25 November 1993

Mr. R. Tate
No. 9 La Panhouse
Kerry Road
Avondale
Zimbabwe

Dear Richard,

This is just a note to say thank you for your participation in our issues seminar in Harare: it was a pleasure to work with you.

As promised, enclosed is a copy of our "Smoking Issues: Claims and Responses" booklet which provides some of the answers to some of the questions you asked. We will be providing a shortened form early next year which we will also pass on.

At the moment we have plans to provide other materials on the issues discussed, including videos and pocket cards carrying key arguments, which we will also make available to you if you would like.

In the meantime, please let me know if there is anything else we can do to help and feel free to call on us at any time for information or any other materials you may require.

With kind regards,

Dr. Sharon Boyse

REGD OFFICE MILLBANK KNOWLE GREEN STAINES TW18 1DY FAX 0784 455 000 TELEX 27384/5 BATTOR G
TELEPHONE 0784 460 400

A MEMBER OF THE BAT INDUSTRIES GROUP INCORPORATED IN LONDON No 24974

500892218

Dear —,

As you are aware, public interest in the controversial issues surrounding the use of tobacco products is increasing. Unfortunately, those interested in these issues do not always have access to all of the information that has to be taken into account when forming a judgement about this debate. In particular, we feel that balanced information and views about smoking are rarely available to the media.

We would therefore like to invite you to a seminar to discuss the most controversial issues surrounding the smoking debate. During this seminar, you will hear the views of international experts from the United States and Europe on various aspects of the smoking controversy. The subjects discussed will include: smoking and health; other people's tobacco smoke, or so-called 'passive smoking'; claims that tobacco smoking is addictive; health priorities and the role of World Health Organisation; tobacco advertising and freedom of commercial speech, and the tendency to over-regulate and over-legislate which is currently prevalent in the USA. The international experts are respected academics or professionals who are quite independent from the tobacco industry.

You will also have the opportunity to discuss these issues with members of the local tobacco industry [or company name].

[Information about location and dates of seminar follows].

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BRITISH-AMERICAN TOBACCO COMPANY LIMITED

TO: Joe Green
 CC: Brendan Brady
 FROM: Dr. Sharon Boyse
 DATE: 1 July 1993
 SUBJECT: South Africa media seminars

Further to Brendan's notes on the above based on discussions at the PARG meeting, I can now tighten up some of the cost estimates for the above event.

I agree with Hilary Thompson that four days (i.e. two separate seminars) would be desirable if journalists from countries other than South Africa were to participate - simply for reasons of numbers. All estimates below except consultants' estimates are from Hilary Thompson and of course will have to be tightened up once we have decided upon a location in South Africa.

Consultants' fees (5 days):	\$50,000 max.
Travel expenses, South Africa - India:	\$ 10,000 (to be confirmed)
Travel expenses, internal:	\$ 10,000 (to be confirmed)
Consultants' expenses - hotel etc.:	\$ 4000 (to be confirmed)
TOTAL	\$ 74,000

The assumption is that 50 % of the costs will be borne by South Africa (UTICO and Rembrandt) for the first seminar, and 50 % by the other BATCo companies. Assuming a total cost for the second seminar of \$ 37,000, it appears that this would conceptually be divided between Mauritius, Zimbabwe and Kenya as those three companies that have definitely confirmed their interest. This means a contribution of \$ 12,333 per company. It is my understanding that Mauritius can bear these costs directly, leaving \$ 24,666 to be covered by Millbank on behalf of Kenya and Zimbabwe.

There is, however, a possibility that we may persuade Rembrandt to contribute a little something to the second seminar because of their interests in Zimbabwe but on balance this is unlikely since they will be covering the majority of the South African costs because of the cost splitting arrangements at the Tobacco Institute of Southern Africa. Rothmans have no interest in participating or costsharing, declaring that this part of Africa is really down to Rembrandt.

MILLBANK KNOWLE GREEN STAINES MIDDLESEX TW18 1DY

300565572

MEDIA BRIEFING SEMINAR

Objective

Improve the understanding that the media has of the issues facing the tobacco industry.

Strategy

Educate the media about our position on issues and provide backup from international experts. The aim of which is to make the media take our views more seriously and to increase the chances that they will offer us the chance to comment as issues arise.

The Programme

BAT and Philip Morris have now run a series of briefings in Latin America and the Far East. In Africa, briefings would be supported by Rothmans, Rembrandt and BAT. We would control the programme.

The most successful have adopted the following format:

- i) A maximum of 15-20 journalists are invited to a seminar during which they will be addressed by independent experts and tobacco industry experts on a range of issues including active smoking, ETS, young people and smoking, WHO/health priorities, economic impact studies, politicisation of science and social costs.
- ii) Location is somewhere pleasant usually a beach resort. This motivates the journalists to attend as well as increasing the chances of having their undivided and uninterrupted attention. South Africa is agreed to be the most suitable location in the region.
- iii) The briefing session is typically run over two days with a half day of presentations and a half day free on each of the two days.
- iv) The local industry is a totally up front sponsor however it is made clear that the international experts are in no way representing the industry.
- v) A follow up programme is important to maintain contacts.
- vi) Care should be taken in selection of journalists.

Costs

The major costs are:-

- i) Travel and expenses of international experts
- ii) Hotel and flight expenses for journalists
- iii) Hire of conference facilities, translations, etc.
- iv) Meals, cocktail parties, etc.

Because of the size of the region, consideration was given to having 2 x two day seminars back to back thus maximising the availability of the international experts.

The following agenda and costs were discussed at the meeting and subject to approval and availability of speakers, appear to be the best option considering the international experts are due in India on 12 October 1993.

5 October	Group 1 and Experts arrive in South Africa PM: Welcome Dinner
6 October	AM: First Session PM: Free
7 October	AM: Second Session PM: Group 1 return home
7 October	PM: Group 2 arrive PM: Welcome Dinner
8 October	AM: First Session PM: Free
9 October	AM: Second Session PM: Group 2 return home
10 October	International experts fly to India

This is a very ambitious programme however, there was concern that if most African companies want to participate then there would be too many delegates.

On reflection I feel that two days would be more appropriate and perhaps we should concentrate on only a limited number of companies, eg. Kenya, Zimbabwe, South Africa and Mauritius.

Of course, the less the number of participating companies the bigger the cost.

The costs calculated for this programme are as follows:

Consultants Fees - \$10,000 per day (Team of Six)

x 4 days	\$40,000	(2 days travel, 12 day seminar)
Travel expenses: South Africa/India	\$10,000	
Travel expenses: Internal	\$10,000	(Hire of planes, transfers, etc and entertainment).
Expenses for Consultants	\$4,000	(Hotel, etc)
TOTAL	\$64,000	

If we include a further two days, an additional \$20,000 would be required.

INDUSTRY BRIEFING SESSIONS FOR THE MEDIA

Objective

The objective of these sessions is to improve the understanding that the media (primarily but not necessarily exclusively the print media) has of the issues facing the tobacco industry. By educating them about our position and providing the backup of independent international experts, the aim is to make the media take our views more seriously, and to increase the chances that they will offer us the chance to comment as issues arise because they have learned that we have an opinion worth listening to and one that reflects the views of international experts. It is not necessarily the aim to engender instant positive press stories, although this quite often happens as a matter of course.

The Programme

BAT and Philip Morris have now run a series of briefings in Latin America (2 in Venezuela, one regional briefing for all Central American companies, and one South American regional briefing), and BAT has continued in the Caribbean. BAT, supported by other members of the Far East tobacco industry, also organised briefings in Indonesia (for the Indonesian, Malaysian, Singapore and Hong Kong companies) and in Taiwan. The most successful have adopted the following format:

- a maximum of 15-20 journalists
- location is somewhere pleasant (e.g. a beach resort), and away from the city where they work. Not only does this increase the chances of having their undivided and uninterrupted attention, but it motivates them to attend and they will enjoy it more.
- to ensure that full advantage is taken of the location and that we do not induce information overload, the briefing session is typically run over two days with a half day of presentations and a half day free on each of those two days.
- the local industry is a totally up-front sponsor, but it is made clear that the international experts who attend are quite independent and are in no way representing the industry.

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- it is equally important to have a follow-up programme by which information and views can be passed on by the industry to maintain the contacts that are developed. We frequently also find that journalists will contact our international experts directly for a view.
- some care should be taken in selection of journalists. Although we have had only one negative article from the entire series of briefings that have been carried out, this was largely because the journalist in question was a totally unknown quantity to the local industry. Obviously, it is not necessary to invite only journalists who are already sympathetic to hearing a balanced view, but little will be achieved by inviting journalists who are confirmed anti-smokers and demonstrate little flexibility of thought in this respect.

Briefing topics

ACTIVE SMOKING

We have had something of a conflict in how to handle the primary issue, because on the one hand we do not have an external consultant that would address the active smoking issue in a way that would reflect our position. On the other hand it cannot be left out of such a briefing session because the immediate assumption would be that we are ducking the issue, and in any case it always surfaces in a major way. It simply is not possible to avoid it. We have therefore made an exception to the rule that only independent experts speak on the issues, and these presentations have been carried out by BAT (S. Boyse) with the full approval of PM (New York) on the content of the presentation where briefings have been carried out jointly.

ENVIRONMENTAL TOBACCO SMOKE (HEALTH)

Professor Philip Witorsch from the George Washington University (Washington USA) is the best presenter here, because of his medical credentials. He is, however, expensive. Other speakers are available.

INDOOR AIR QUALITY

A number of speaker options are available here, including Healthy Buildings International (Gray Robertson and colleagues).

ADVERTISING

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Again, there are a number of options here from speakers who will concentrate on the effects of advertising bans on consumption, and the purpose of advertising in a mature market, to speakers such as Digby Anderson from the Social Affairs Unit in the UK who speaks very eloquently on the principles of freedom of commercial speech. The latter is a particularly effective speaker for the media.

YOUNG PEOPLE AND SMOKING

On occasion we have felt the need to have a more thorough review of why young people experiment with smoking and what makes young people smoke. Glen Smith of the UK-based Children's Research Unit is available for this purpose.

WORLD HEALTH ORGANISATION/ HEALTH PRIORITIES

Paul Dietrich, a lawyer from Washington gives an excellent presentation questioning the priorities of the WHO in targeting tobacco and alcohol when countries in many parts of the world have different health priorities, and when children are dying in Africa, Latin America and many countries in Asia through easily preventable diseases, simply through lack of funding. His analysis of the WHO budget brings out all the best investigative journalism instincts, and he rarely fails to make an impression on the media. His position on the development committee of the Pan American Health Organisation (the Latin American branch of WHO) makes his credentials impeccable. When unavailable, Robert Tollison from the USA has been an alternative.

ECONOMIC IMPACT OF TOBACCO (REGIONALLY OR AS AN INDIVIDUAL COUNTRY)

Usually a local presenter or on occasion the local industry make such presentations.

SOCIAL COSTS

On general principles, Bob Tollison from the USA, who has published widely on this issue, could be used. It does, however, make for a rather technical presentation.

SMOKERS' RIGHTS

For Latin America, this has been carried out by the Spanish smokers' rights group leader, a well-known journalist. We have not used this presentation elsewhere, but from the UK similarly well-known journalists/columnists may be available to talk about freedoms in general and the 'nanny state' concept in particular.

ADDICTION

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INDIAN SUBCONTINENT MEDIA SEMINAR

Tuesday 11-Tuesday 19 October

Speakers

Active smoking/ risk priorities:	Dr. S. Boyse
Environmental tobacco smoke (health):	Professor Phil Witorsch, George Washington University, Washington DC, USA
Advertising: effects of bans etc. on consumption:	Prof. Jean Boddewyn, Baruch College, New York, USA
Advertising: freedom of commercial speech:	Digby Anderson, Social Affairs Unit, London
World Health Organisation:	Prof. R. Tollison, Center for Public Choice, USA
Addiction:	Prof. Ian Hindmarch, UK University of Surrey, UK
"Fear of Living"/ over-regulation:	John Rupp, Covington & Burling, USA

Costs

or on the way to

Daily rates to have all of the above 6 speakers (Millbank is not charging yet!!) would be US \$ 9900 per day. They charge working time and travel time. For one two-day seminar you would therefore be talking probably of around 3-4 days' fees if they were coming from India; 4-5 days if they were coming from their home locations. This would put the ballpark figure in the region of \$ 30,000 - 49,500 for fees, plus travel expenses. There is a mixture of business and first class here; however, if we were coming from India it would of course be cheaper than if they were coming from their home location. Travel costs alone for the Indian seminar are \$ 33,900! You can probably work out the cost of a plane fare from India to Mauritius (business class or first) and assume that will be the travel expense, multiplied by the number of speakers. In theory the subcontinent companies would expect you to share fully in the expense of transatlantic travel and to share the whole travel bill, but I think we can just forget to take that into consideration by not mentioning it!

However - I think you would not need all 7 of the above speakers in Africa. For example, the freedom of commercial speech, fear of living and addiction arguments may not be crucial. However, on the other hand, you would need a speaker, perhaps

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Dr. Sharon Boyse
Head of Smoking Issues department at British-American Tobacco Co's head office in the UK.
Experience in the smoking and health area: 7 years.

John Rupp
Senior lawyer at the law firm of Covington & Burling, Washington, USA. Considerable
experience in product litigation and legislation, including tobacco.

Philip Witorsch
Professor of respiratory medicine at George Washington University, Washington, USA

Digby Anderson
Head of the Social Affairs Unit, a 'think-tank' on social issues based in London. Regular
publications on advertising, international organisations etc. Also writes articles on social issues
for major UK newspapers.

Ian Hindmarch
Professor of Human Psychopharmacology at the University of Surrey, UK. Considerable
experience in examining the psychological effects of drugs that change mood e.g. anti-anxiety
drugs, anti-depression drugs. An expert on addiction in general.

Jean Boddewyn
Professor of Marketing and International Business at Baruch College, New York.
Expert on advertising and, in particular, tobacco advertising. Author of well-known
International Advertising Association report on the effects of tobacco bans; has given many
expert testimonies on the subject in law cases and before government committees.

Richard Wagner
Professor of Economics, George Mason University, Virginia, USA and also at Center for Study
of Public Choice at same University. Several publications on public choice and policy issues
including study of international organisations such as the WHO.

300565579

Media Seminar, South Africa
October 5-7 1993

Tuesday 5 October

Arrive at resort

Evening: welcome dinner

Wednesday 6 October

- | | | |
|--------|---|-----------------|
| 08.30: | Welcome address | Industry |
| 08.45: | Smoking and health: a risk perspective | Sharon Boyse |
| 09.30: | Questions | |
| 09.45: | Health claims about environmental tobacco smoke | Philip Witorsch |
| 10.30: | Questions | |
| 10.45: | Coffee break | |
| 11.15: | The World Health Organisation and Health Priorities | Bob Tollison |
| 12.00: | Questions | |
| 12.15: | Tobacco smoking: habit or addiction? | Ian Hindmarch |
| 13.00: | Questions | |

LUNCH

Afternoon free

DINNER

Thursday 7 October

- | | | |
|--------|---|----------------|
| 09.00: | Tobacco advertising bans and smoking | Jean Boddewyn |
| 09.45: | Questions | |
| 10.00: | Tobacco advertising: freedom of commercial speech | Digby Anderson |
| 10.45: | Questions | |

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11.00: Coffee break

11.30: 'Fear of Living' and social engineering in the late
twentieth century John Rupp

12.15: Questions

12.30: Closing address Industry

Journalists depart

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Facsimile Cover Sheet

To: Dr Sharon Boyse
Company: British-American Tobacco Co Ltd
Fax: 784 448 391

From: K Abdullatif
Company: British-American Tobacco (M) Plc
Phone: 242 4422
Fax: 241 8552
Date: 22 July 1993

Pages including this
cover page: 1

MESSAGE: Media Seminar October 1993

Dear Sharon

This is to confirm that Johan Mathijs on his return from the Strategic Review meeting in UK, has given his official consent to the proposal that BAT (Mauritius) contributes US \$ 12,000 towards the costs of the October Media seminars. Presumably, Public Affairs Staines will be sending us the appropriate invoice relating to "conference participation fees". We are proposing to send up to 5 journalists/delegates. Can they all attend the first seminar or do they need to be split in 2 groups? The issue is the hosting by Mauritius in October 1993 of the conference of heads of French-speaking states (Francophonie) preceded by an international meeting of French-speaking journalists scheduled from 4 to 6 October which will be a major competing event.

With kind regards

A handwritten signature in dark ink, appearing to read 'K Abdullatif', with a flourish underneath.

K ABDULLATIF
Public Affairs Manager

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BRITISH-AMERICAN TOBACCO COMPANY LIMITED

TO: Hilary Thompson - UTICO

CC:

FROM: Dr. Sharon Boyse

DATE: 1 April 1993

SUBJECT: VISIT TO SOUTH AFRICA

Dear Hilary,

Further to our conversation earlier this morning, this is to confirm that I have made the following reservations:

Monday April 19: BA 057 dep. LHR 21.00 arr. Johannesburg 08.35 (April 20)

Tuesday April 20: GM 103 dep. Jo'burg 09.20 arr. Capetown 11.25

OR*

Tuesday April 20: GM 119 dep. Jo'burg 11.00 arr. Capetown 13.05

Friday April 23: GM ? dep. Capetown 17.40 arr. Jo'burg 19.35

BA 58 dep. Jo'burg 21.35 arr. LHR 07.40 (April 24)

* To be confirmed. I will let you know later today, or Sophia will.

Advertising consultants: Brendan thinks Michael Stewart, who he knows, is a little unpredictable as a personality. I'm sure you can read between the lines! Luik's speciality is government paternalism (see the attached reference) which might not go down too well with the government of South Africa!! He is not an expert on the consumption/ children data. I am sorry yet again to have to put you off the Rothmans suggestions! Brendan, however, has suggested Dr. Lawrence Hagen, who is based in the UK at the Henley Marketing Dynamics Centre, part of the Henley School of Management. He has recently analysed all of the data worldwide on advertising and consumption figures and so is the most up to date consultant we have in this area. He actually produced the full critique of the Smee report that has caused so many problems here in the UK.

The contact with Hagen is David Hare at the Tobacco Advisory Council in London and he will not be back until this afternoon. I will get him to ask Hagen whether he would be available and if he is will call him (Hagen) to brief him on the South African situation. Brendan will then take over for tomorrow and liaise with you and him on travel arrangements etc. Should there be anything left unfinished before Brendan goes on holiday, he will leave you Hagen's contact numbers so that you can brief him further and advise him of any changes to the schedule.

MILLBANK KNOWLE GREEN STAINES MIDDLESEX TW18 1DY

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He is only in the office today and tomorrow and then will be on holiday next week, so he will ensure that he has one of them lined up for you by the end of tomorrow.

The telephone number I gave you in Ireland, should anything change, I now understand should be connected by Wednesday next week (353 91 71170).

With kind regards,

A handwritten signature in dark ink, appearing to read "J. Harvey".

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COSTS - AFRICA/ SUBCONTINENT MEDIA SEMINARS

C.111
2.11.1

	Consultant	Fees (\$)	Fare (\$)	Total (\$)	<u>2004</u>
2,000	Digby Anderson	11 400	5 360	16 760	\$ 12,000,000
4,000	Jean Boddewyn	15 000	10 288	25 288	\$ 10,000
-	Sharon Boyse		11 560	11 560	
4,000	Ian Hindmarch	15 600	11 560	27 160	£ 750
10,000	John Rupp	27 500	9 581	37 081	\$ 2,500
9,000	Bob Tollison	22 000	10 288	32 288	\$ 2,000
5,000	Phil Witorsch	26 000	14 400	40 400	\$ 2,000
38,000	TOTALS	117 500	73 037	190 537	

4,000

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	\$	£
TOTAL	190 537	119 086
INDIA	107 200	67 000
	<hr/>	
	83 337	52 086
MAURITIUS	12 500	7 813
MILLBANK	25 000	15 625
	<hr/>	
	45 837	28 648

Remainder to be met by Hartley (e.g. \$ 10,000) and C&B budget.

N.B. Rupp fees + fare = \$ 37 081 (+ expenses), leaving \$ 8756 to be met + consultant expenses (hotels etc.)

*Pakistan Sri Lanka to go into C&B account
India to pay £ 33,500 directly*

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LIST OF DELEGATES

7 TO 9 OCTOBER 1993

Amboka Andere	Kenya Times, Kenya
Sure Chimbga	ZIANA, Zimbabwe
Ingrid Gcaba	SASPU, South Africa
Pravin Kala	B A T Mauritius
Marianne King'ori	Daily Nation, Kenya
Marcia Klein	Business Day, South Africa
Josie Lebrasse	Le Week-end, Mauritius
Antony Mwangi	The Economic Review, Kenya
Tendai Nyakuru	Business Herald, Zimbabwe
Regis Nyamakanga	Financial Gazette, Zimbabwe
Joseph Nugi	The Standard, Kenya
Shabanji Opukah	B A T Kenya
Peter Parirewa	B A T Zimbabwe
Mitradev Peerthum	Le Nouveau Militant, Mauritius
Boris Pierrus	Business Magazine, Mauritius
Hilary Thomson	United Tobacco, South Africa
Zanele Vutela	City Press, South Africa
Peter Warring	United Tobacco, South Africa
Musa Zondi	Sowetan, South Africa

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Media Seminar, India
October 12-13 1993

Monday 11 October

Afternoon: arrive at Agra

Evening: Welcome dinner

Tuesday 12 October

- 08.30: Welcome address (ITC/VST)
- 08.45: Smoking and Health: a Risk Perspective Sharon Boyse
- 09.30: Questions
- 09.45: Health claims about environmental tobacco smoke Philip Witorsch
- 10.30: Questions
- 10.45: Coffee break
- 11.15: The World Health Organisation and Health Priorities Bob Tollison
- 12.00: Questions
- 12.15: Tobacco Smoking: Habit or Addiction? Ian Hindmarch
- 13.00: Questions
- LUNCH
- Afternoon Free
- DINNER

Wednesday 13 October

- 09.00: Tobacco Advertising Bans and Smoking:
the Defective Connection Jean Boddewyn
- 09.45: Questions
- 10.00: Tobacco Advertising: Freedom of Commercial
Speech Digby Anderson

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10.45: Questions

11.00: Coffee break

11.30: 'Fear of Living' and Social Engineering in the Late
Twentieth Century John Rupp

12.15: Questions

12.30: Closing Address ITC/VST

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Media Seminar, Pakistan
October 16-17 1993

Friday 15 October

Evening: Welcome dinner

Saturday 16 October

08.30: Welcome address (PTC/ Lakson)

08.45: Smoking and Health: a Risk Perspective Sharon Boyse

09.30: Questions

09.45: Health claims about environmental tobacco smoke Philip Witorsch

10.30: Questions

10.45: Coffee break

11.15: The World Health Organisation and Health Priorities Bob Tollison

12.00: Questions

12.15: Tobacco Smoking: Habit or Addiction? Ian Hindmarch

13.00: Questions

LUNCH

Afternoon Free

DINNER

Sunday 17 October

09.00: Tobacco Advertising Bans and Smoking:
the Defective Connection Jean Boddewyn

09.45: Questions

10.00: Tobacco Advertising: Freedom of Commercial
Speech Digby Anderson

10.45: Questions

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11.00: Coffee break

11.30: 'Fear of Living' and Social Engineering in the Late
Twentieth Century

John Rupp

12.15: Questions

12.30: Closing Address

(PTC/Lakson)

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Media Seminar, Sri Lanka
Tuesday 19 October 1993

Monday 18 October

Arrive Sri Lanka

Welcome dinner

Tuesday 19 October

09.00: Opening Address	CTC
09.15: Smoking and Health: a Risk Perspective	Sharon Boyse
10.00: Questions	
10.15: Health claims about environmental tobacco smoke	Philip Witorsch
11.00: Questions	
11.15: Coffee Break	
11.45: The World Health Organisation and Health Priorities	Bob Tollison
12.30: Questions	
12.45: Lunch	
14.30: Tobacco Smoking: Habit or Addiction	Ian Hindmarch
15.15: Questions	
15.30: Tobacco advertising bans and smoking: the defective connection	Jean Boddewyn
16.15: Questions	
16.30: Closing address	

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Seminar on Tobacco Industry in Pakistan

Dear Participants,

There has been some readjustments in the next two days programme for the convenience of our overseas speakers. The programme should be now read as following:

Saturday 16th. October

Session II

Smoking and health: A Risk Perspective - Dr Sharon Boyse	09.00
Question & Answer	09.45
"Fear of Living" and Social Engineering Late Twentieth Century - John Rupp	10.00
Question & Answer	10.45
Coffee Break	11.00
Tobacco Advertising Bans and Smoking: the Defective Connection - Jean Boddewyn	11.20
Question & Answer	12.05
Tobacco Advertising: Freedom of Commercial Speech - Digby Anderson	12.20
Question & Answer	13.05
Lunch	13.15
Visit to Patriata	14.30
Tea at Patriata	16.30

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17th October 1993

Session III

Health Claims about Environmental Tobacco Smoking – Prof. Philips Witorsch	09.00
Question & Answer	09.15
Tobacco Smoking: Habit or Addiction – Ian Hindmarch	10.00
Question & Answer	10.15
Coffee break	11.00
The World Health Organisation and Health Priorities – Dick Wagner	11.20
Question & Answer	12.05
Closing Address – G. Jilani	12.25
Lunch	13.00
Check out	14.00
Depart for Islamabad	14.30
Arrival in Islamabad	16.30

Journalist from Karachi are booked on the following flights:

PK 309	Departure from Islamabad	19.00	Arrival in Karachi	21.00
PK 383	Departure from Islamabad	22.55	Arrival in Lahore	23.50

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MEDIA SEMINAR, SRI LANKA
Tuesday, 19 October 1993

- 9.00 am Opening address
by Mr. David Bishop,
Chairman and Managing Director,
Ceylon Tobacco Company
- 9.15 am "Smoking and Health:
a Risk Perspective"
by Dr. Sharon Boyse
- 10.00 am Questions
- 10.15 am "Health Claims about
Environmental
Tobacco Smoke"
by Dr. Philip Witorsch
- 11.00 am Questions
- 11.15 am Coffee Break
- 11.45 am "WHO: No Rx for a Healthier World"
by Dr. Richard E. Wagner
- 12.30 pm Questions
- 12.45 pm Lunch
- 2.30 pm "Tobacco Smoking: Habit or Addiction"
by Prof. Ian Hindmarch
- 3.15 pm Questions
- 3.30 pm "Tobacco Advertising bans and smoking:
the defective connection"
by Prof. Jean Boddewyn
- 4.15 pm Questions
- 4.30 pm Closing address
by Mr. David Bishop

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A LITTLE BIT ABOUT THE SPEAKERS....

Dr. Sharon Boyse:

Dr. Boyse is a graduate of the University of Liverpool where she received a first class honours degree in Psychology. She has a Doctor of Philosophy in Pharmacology from the University of London. She has conducted research in specialised studies on the effect of drugs on human behaviour when she was on a Wellcome Trust Research Fellowship, in France and on a Mental Health Foundation Fellowship, at the Institute of Neurology, in UK. She joined British-American Tobacco Company Ltd, UK in 1986 and now heads the Smoking Issues Department. She has over 40 papers to her credit.

Dr. Philip Witorsch:

Dr. Witorsch is a clinical professor of medicine and adjunct professor of Physiology at the George Washington University School of Medicine and Health Sciences. He holds Diplomates in Internal Medicine and in Pulmonary Diseases in the American Board of Internal Medicine. He is a Fellow of the American College of Physicians as well as the Royal Society of Medicine in UK and is a member of over 20 professional societies. He has written 50 papers and made 30 presentations at international symposiums.

Dr. Richard E. Wagner:

Professor Wagner is the Chairman of the Department of Economics in the George Mason University in USA and is a visiting professor at the University of Konstanz in Germany, and at the Institute for Humane Studies. He has held senior posts in several American universities previously. He serves in several advisory committees and boards and has authored 16 books and written countless papers which he has presented at international symposiums.

Continued.....

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Professor Ian Hindmarch:

Professor Hindmarch is Head of Human Psychopharmacology at the University of Surrey. His particular research interests relate to the measurement of the effects of psychoactive substances on psychomotor performance, cognitive and intellectual abilities and memory functions.

An author of over 300 contributions to scientific and medical journals, Professor Hindmarch is currently working on a meta analysis of drug effects.

He is a Fellow of the Royal Society of Medicine, British Psychological Society, and an Associate of Royal College of Psychiatrists.

Professor Jean Boddewyn:

Professor Boddewyn holds a PhD in Business Administration from the University of Washington (Seattle) and is the Professor of Marketing and International Business Baruch College, City University of New York. Besides teaching in the area of International Business, Management and Marketing, Professor Boddewyn has served as a consultant to international business firms, the U.S. Government and the World Health Organisation.

He has published several major journals and books on management and marketing.

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THE TOBACCO INSTITUTE
OF INDIA

MEDIA SEMINAR
Agra, 12 - 13 October 1993

INFORMATION

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INTRODUCTION

The Tobacco Institute of India is organising this **Media Seminar** in Agra, India, to improve the understanding that the **Media** has of the issues facing the tobacco industry. International experts of eminence have been invited to present the media with an objective and realistic analysis of a wide range of issues connected with the tobacco industry. The objective of the Seminar is to interact with the media to arrive at a fuller understanding of the subject and issues, in the best traditions of the inherent - and democratic - human right to 'judge for ourselves'.

Participants at the Seminar will find in this booklet an outline of the programme, brief data on the invited speakers and a note on The Tobacco Institute of India.

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INTRODUCTION

(Contd.)

Participants are welcome — both during and after the Seminar — to remain in contact with the Institute.

The Tobacco Institute of India
316-318, IIIrd Floor
International Trade Tower
Nehru Place
New Delhi 110 019

Tel : 6417096

6479414

Fax : 6446420

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AGRO-TOBACCO SERVICES

12 WINDING WOOD DRIVE • CAMBERLEY • SURREY GU15 1ER • ENGLAND • TELEPHONE/FAX +44 (0)1276 676841

3rd November 1993

Mr H B J Ntata
Chairman
International Tobacco Growers' Association

Dear Henry,

It is a great disappointment to me that I am unable to be with you in Brazil at this time but, as you know, I am in Harare assisting our friends at the ZTA with the launching of the ITGA's latest publication. As I shall explain later, there are very good reasons why this has to be done at this time even though it means that I cannot share with you the hospitality which I know Hainsi and his colleagues will be delivering in generous measure.

Had I been with you I would have hoped to have contributed to what I am sure will be a most successful meeting. In Malelane last year, you kindly afforded me the opportunity to provide a perspective on the anti-tobacco climate and the role of the tobacco farming community in countering the threats with which it is faced. Allow me to say a few words here on the same subject which you may choose to bring to the attention of the meeting.

Perhaps the most significant development during the past twelve months, and the one which presents us with the greatest challenge, is the decision of the United Nations Economic and Social Council [ECOSOC] to establish a "focal point" within the UN system to facilitate a wide ranging debate on tobacco related issues. Up until now, it has been the World Health Organisation which has provided the major thrust in international anti-tobacco activities. It has, however, been persuaded that some of the issues - particularly those to do with economic, environmental, and social aspects - are beyond its competence. We can therefore expect a number of UN agencies to get into the act. It is to be hoped that they do not bring to their participation any prejudicial anti-tobacco sentiments and that we can expect a rational and objective treatment of our common concerns. The challenge to the ITGA and its members will be to ensure that it and they are active participants in the process.

Given that the World Bank has already become active, your members might wish to consider communicating their views on the Bank's new policy regarding tobacco to the appropriate regional Executive Directors. Whilst it is unlikely that there will be any early reversal of policy - and, in any case, the Bank's lending record with regard to tobacco related projects has been historically very minor - it would be worth "marking the Bank's card" insofar as it is likely to become more intimately involved in the forthcoming debate.

In April this year I was part of an industry team which visited Geneva and Rome to present to diplomats from virtually all Latin American and Caribbean countries an analysis of the economic and social importance of tobacco to that region. Also part of the team was our longstanding friend from Argentina, Hugo Macedo, who provided the tobacco farming element to a programme which was universally well received by our several audiences. It was something of a disappointment, therefore, that in the ECOSOC debate a few weeks later, none of the countries from whom we had received such a warm response stood up to support the Malawian Minister of Health in what he had to say in defence of tobacco. There are undoubtedly lessons to be learned from this, of which I shall say something more later. What was important, however, was that, given a good story to present, the various elements of our industry can and do project a formidable argument.

But good argumentation is of little value if one cannot secure an appropriate audience. As you know, David has been pursuing the case for the ITGA to be accredited as an Observer at the FAO ever since he was appointed to his position. His frustration has reached almost fever pitch over recent months when faced by the apparent arrogance of the officials in charge of the matter in Rome. I suspect that, as well as bureaucratic lethargy, we are witnessing some localised political bias as far as tobacco is concerned; nevertheless, it is inconceivable to any rational person that the now wider debate on tobacco issues within the UN can proceed without the farmers' direct participation, particularly when it is noted that such worthy bodies as the International Association of Fish Meal Manufacturers and the International Federation of Margarine Associations already have Special Observer Status! However, so too does the tobacco industry's scientific body CORESTA, indicating perhaps that there is no inherent anti-tobacco bias. I am sure, therefore, that the obstinacy of the system will be overcome and David's blood pressure return to normal. To provide some further momentum in this direction, you may wish to consider at this time, Mr Chairman, a Resolution of the meeting to reaffirm the urgency of your Association's application to the FAO for Specialised Consultative Status.

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The FAO is now but one of the major agencies which have been formally brought into the tobacco debate arena. It looks as though the UN Conference on Trade and Development [UNCTAD] has been charged with coordinating the collaboration between a number of agencies now directed to consider "the economic aspects of tobacco production and consumption..." Those agencies include, in addition to the WHO and the FAO, the GATT, the World Bank, the International Labour Organisation [ILO], the United Nations Development Programme [UNDP], the United Nations Industrial Development Organization [UNIDO], and (unspecified) others. We have no shortage of audiences!

As it becomes clearer over the next few months exactly what aspects of "the tobacco question" each of these groups is going to tackle, so it will emerge exactly what arguments must be assembled by growers groups' in order to achieve their goals and objectives. May I suggest, however, that it would not be too soon if, immediately after your meeting, an attempt was made to identify in each of your members' home countries any resident officials of - and those within your own governments who have contact with - these organisations. The ECOSOC resolution calls for "individual plans of work, setting out deadlines and achievement milestones, for (each agency's) contribution" to be developed before 31st December 1993. Furthermore, the UN Secretary General has been requested by ECOSOC to report back to the Council next year on progress made; therefore, it is essential, I submit, that we are poised to participate in whatever way we can in the various agencies' treatment of the issues.

Returning from audiences to argumentation brings me to Harare and the launch of the latest ITGA publication *Tobacco Trade or Aid?* But, before saying something about the timing and objectives of the launch, may I first repeat what I said to our friends from the Southern Africa group when we met in Lilongwe earlier this year. That is: please do not be surprised if the predictions on future production volumes and earnings which appear in the report do not coincide with your own expectations. The analysis which is contained in the report is based on information published by the USDA, the FAO, the World Bank, and others which, whilst it has the necessary credibility, should not be taken too literally.

Had it not been for a certain South African Dr Yach, I would have been sharing with you the pleasures of Southern Brazil. As it is, Dr Yach decided that he would hold the first All Africa Conference on Tobacco Control in Harare in November. It became immediately apparent that, as part of our attempt to upstage the conference, the opportunity of

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launching the ITGA's latest publication in the preceding week was too good to be missed. As you probably know, there will be a significant participation by the ITGA at the Tobacco Control Conference - a notable achievement for growers and in no small measure due to the influence of the ZTA with Zimbabwe's Minister of Health. Not only does participation in the conference provide a platform for tobacco farmers' concerns to be debated, it demonstrates to a wider audience a willingness to actively participate - even in a potentially hostile forum. I have no doubt that this experience will serve our long term objectives well and consolidate further the position of the ITGA as the authoritative voice of the world's tobacco growers.

Looking ahead to 1994, I look forward to assisting the growers' cause in a number of ways. Given the need to address our concerns to a more widely drawn yet more specific range of audiences, it is, I believe, desirable to equip the membership with more highly focussed briefing materials. On a number of issues, there is a measure of common interest and concern which should form the basis of the argumentation we seek to deliver. This can then be made more locally specific by the addition of domestically relevant material. It will be important, however, that all members are "singing off the same hymn sheet" and to this end I look forward to helping in the production of a number of Briefing Papers for you all to use during 1994 and beyond. In addition, there remain opportunities for the occasional "major" publication such as those produced so far on the Developing World, Alternative Crops, and Trade or Aid. The need for a definitive collective statement on the use of wood by tobacco farmers has been clear for some time. However, the need is now more urgent, given the misinformation which our opponents are continuing to promulgate and about which your Chief Executive can relate at length.

I said earlier that we learned some lessons from our Geneva/Rome experiences this year. In summary, the "good" points were that, given an interesting story, presented in an attractive fashion, most people are at least willing to listen. We were reminded, however, that policy is not made in Switzerland or Rome, save by the Swiss or Italians, and that the real influence has to be created back at home base. Whilst it will remain important to cultivate and maintain our contacts at the key international sites, it is more important that policy makers rather than policy deliverers are targeted for your messages. If this can be achieved in a coordinated fashion amongst ITGA member organisations, the impact will be the greater when our concerns are indeed raised amongst the diplomats in Geneva, Rome, or wherever tobacco issues are being discussed.

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To this observer, the ITGA has come a long way in the year since Malelane. Given the momentum which participation in the Harare Conference should provide, I believe that your Association is on the threshold of realizing its full potential. Could it be that 1994, the 10th Anniversary of the ITGA's foundation, will also be the year in which it achieves the full recognition it deserves as the single, authoritative international representative of the world's tobacco farmers? I shall be pleased to provide whatever support I can to this endeavour and to assist you and David in our overriding objective: securing the future for tobacco.

I wish you well with your meeting and look forward to seeing you, Mr Chairman, next week in Harare when I am sure we shall give those anti-tobacco zealots plenty to think about.

Yours sincerely

Martin Oldman.

502555328

PHILIP MORRIS

ETA, EASTERN EUROPE
THE MIDDLE EAST AND AFRICA REGION

STIG CARLSON
DIRECTOR CORPORATE AFFAIRS

AVENUE DE COUR 107
1001 LAUSANNE SWITZERLAND
TEL. (021) 818-2210 TELEX 48-1884
TELEFAX (021) 818-818

Mr B. Brady
British-American Tobacco Company Limited
Millbank Knowle Green
STAINES TW18 1DY

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Lausanne, 23 November 1993

Dear Colleagues,

Ref: Third World Farmer Mobilisation

Referring to our meeting in London on 18 November, I enclose a copy of the recent Finnish TV news that resulted from a media relation visit to ZTA in Harare.

I am also glad that all companies agreed to join a smaller working group that looks at the lessons learnt during last weeks' efforts by our Zimbabwe & Southern African farmer friends in fending off the threat from the WHO conference. (I also think Lal Taylor and her team deserve a great deal of 'Thanks' for their hard work!).

Below I have listed a number of possible dates for the tentative working session in Harare (I will also communicate the dates to Lal to see which dates are most convenient to her team for a briefing and a discussion):

Monday, 10 January

Friday, 14 January

(Wednesday, 02 February) through to Friday, 04 February

Thursday, 10 February and Friday, 11 February

Monday, 14 February

PHILIP MORRIS EUROPE S.A.

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PRESS RELEASE

EMBARGOED UNTIL 17.00hrs GMT, 9th NOVEMBER, 1993

Tobacco Trade or Aid?

WITHOUT TOBACCO PRODUCTION MANY DEVELOPING
COUNTRIES WOULD BECOME MORE DEPENDENT
ON INTERNATIONAL AID

HARARE, 9th November - More than two thirds of the world's tobacco is produced in developing countries, satisfying a demand that has been predicted by the Food and Agriculture Organization to grow for the remainder of this century at an average annual rate of 1.9 per cent. For many such countries, income from the international trade in tobacco provides a major source of much needed foreign exchange and contributes significantly to their development. And yet, this legitimate and longstanding trade is threatened. Not only are the livelihoods of millions of farmers around the world at risk but also the income of governments, already struggling with serious debt burdens, is being jeopardized by a new imperialism.

Having previously demonstrated* that there are no sustainable, economically equivalent alternative crops to tobacco for the vast majority of tobacco farmers, the International Tobacco Growers' Association commissioned an analysis of the impact which a modest downturn in global demand for tobacco would have on the economies of six producer countries. This analysis is reported in Tobacco Trade or Aid?, launched today in Harare.

/continued

* Reference: Tobacco Farming: Sustainable Alternatives?, Volumes 1 and 2,
International Tobacco Growers Association, 1992

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Prompted by the World Health Organisation's call for a significant reduction in tobacco consumption by 1995, the impact on the economies of Brazil, Bulgaria, Kenya, Malawi, Tanzania, and Zimbabwe of a hypothetical 10 per cent decline in demand is examined. Between them, these countries currently account for more than 30 per cent of the international trade in tobacco.

In the report, the role that tobacco plays in the economies of each of the case study countries is reviewed and the future volume of exports and their potential value in 1995 is assessed. From this basis, the impact of a hypothetical ten per cent reduction in demand is determined and it is shown that there would be a collective loss of almost US\$120 million across the six countries, arising from an overall decline in export volumes in excess of 59,000 tonnes. A further 23,000 tonnes would also be lost due to the assumed 10 per cent decline in domestic consumption across the six countries.

In terms of foreign exchange, Zimbabwe's losses would be greater than those of Brazil and, at US\$41 million, equivalent to more than a quarter of the country's balance of payments deficit. For Malawi, the loss of ten per cent of projected tobacco export earnings in 1995 would increase its deficit on the current account by more than 30 per cent and would be equivalent to 6 per cent of the aid received in 1991. Kenya's loss would be primarily felt in contributions to government income to which the tobacco industry in 1990 contributed 6 per cent of all central government revenue. Losses in foreign exchange earnings in Tanzania would be equivalent to 5 per cent of expected 1992 expenditure on education or 7.3 per cent of expenditure on health.

It is clear that any significant reduction in global demand for tobacco would have a major impact on the economies of each of the producer countries examined in the report. One of the most important challenges facing developing countries is determining how to increase income and food security in a sustainable manner and generally improve the living standards of their populations. It is also characteristic of developing countries that they are reliant on imports for a number of essential inputs and have acquired considerable levels of external debt.

/continued

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Tobacco Trade or Aid? - Page 3

Given the bleak prognosis regarding crops alternative to tobacco, the question is asked: how would economies of producing countries be compensated for the losses which a sustained reduction in demand for tobacco would provoke? It is concluded that, denied the dignity of contributing to their own development through foreign exchange earnings from tobacco, the countries profiled, and many others, would become even more dependent on the largesse of the aid donor community.

Tobacco Trade or Aid? comprises an introduction, six country profiles, an economic impact analysis, and a discussion. 20 pages, including 2 figures and 4 tables.

For further information, please contact:

David Walder
Chief Executive
International Tobacco Growers' Association
P.O. Box 125
Forest Row
East Sussex RH18 5FA
England

Mrs L. Burton-Taylor
Zimbabwe Tobacco Association
P O Box 1781
ZTA House
Baker Avenue
Harare
Zimbabwe

Tel: +44 (0)342 823549
Fax: +44 (0)342 825502

+263 4 727441
+263 4 724523

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PHILIP MORRIS

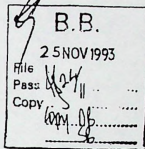
EFTA, EASTERN EUROPE
THE MIDDLE EAST AND AFRICA REGION

STIG CARLSON
DIRECTOR CORPORATE AFFAIRS

AVENUE DE COUR 107
1001 LAUSANNE SWITZERLAND
TEL. (021) 818 4230 TELEX 46 4864
TELEFAX (021) 818 4818

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Friday, 14 January
Wednesday, 02 February through to Friday, 04 February
Thursday, 10 February and Friday, 11 February
Monday, 14 February

PHILIP MORRIS EUROPE S.A.

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May I also ask you for input as to the ideal agenda? Here are some of my thoughts, for discussion:

1. Countering the Harare conference - lessons learnt and results achieved in Southern Africa
2. Harare conference - lessons learnt from a 1st world perspective
3. Viewpoints on ANC commitment to fight smoking and possibilities of a constructive dialogue
4. October 1994 WHO meeting in Paris - the agenda and ideas how growers can help countering the threats
5. Possibilities to balance off the anti-smoking policies of the World Bank
6. Discussion regarding a global forum for discussing how farmers could defend (their own interests by defending) the rights of the smokers.

Yours sincerely,



Stig Carlsson

Copies:

Mr M. Katlama	-	Coralma Int, Suresnes
Mr C. Basse**	-	Coralma Int, Suresnes
Mr D. Lachartre	-	Coralma Int, Suresnes
Mr C. Vonthron**	-	Reemstma, Hamburg
Mr M. Von Blottnitz	-	Reemstma, Hamburg
Mr A. Castillo	-	R J Reynolds, Geneva
Mr A. Rutherford	-	R J Reynolds, Geneva
Mr M. McKay	-	R J Reynolds, Geneva
Mr N. Buck	-	ROPM(I), Aylesbury
Mr P. Van Cauwelaart	-	ROPM(I), Aylesbury
Mr A. Jamieson	-	ROPM(I), Aylesbury
Mr T. Mozley**	-	ROPM(I), Aylesbury
Mr M. Pavitt	-	ROPM(I), Aylesbury

Spencer, London & Company

Memorandum to Dr. Sharon Boyss
December 22, 1992
Page 2

The Spanish edition of the McGill Conference will be printed and ready for shipment next week.

My work on the Board of the Pan American Health Organization continues as I try to redirect their priorities toward disease control rather than life-style issues.

I also believe the Institute's work will become even more important over the next few years, given the change in Administrations and the "stated" extreme anti-smoking positions of the new Clinton Administration's Surgeon General and Health and Human Services Secretary. During the Reagan/Bush Administrations there was always a tension between the White House and the U.S. State Department (which opposed many of the policies of the World Health Organization) and the Surgeon General and Secretary of Health and Human Services (which generally supported the World Health Organization). Under the Clinton Administration it is quite clear there will be complete support from the White House, State Department, HHS and Surgeon General's Office with regard to the World Health Organization.

Because of the Clinton Administration change, I believe the Institute will have to become even more active and vocal in its constructive criticisms of the World Health Organization and the support it will be receiving from the U.S. Government.

My general feeling is that because of the change in Administrations, the tobacco issue will receive more funding and support from the U.S. Government than it has in the past. Over the next four years we will witness increased enthusiasm and activism by the anti-smoking activists throughout the world.

I look forward to discussing all of this with you in London in January as I begin to finalize the Institute's strategic plan for the next year.

Again, thanks for all of your support over the past year, and if I don't speak with you before the Holidays, I want to wish you and your family a very Merry Christmas and a happy and prosperous New Year. Best wishes.

500899120

Detroit

Squire, Sanders & Dempsey

*W. F. O'Brien
 Columbus, Ohio
 Columbus, Ohio
 Jacksonville, Florida
 Miami, Florida
 New York, New York
 Phoenix, Arizona*

*Counselors at Law
 1201 Pennsylvania Avenue, N.W.
 P.O. Box 407*

*Telephone (202) 638-0300
 Cable Square DC
 Telex (202) 626-6700*

Washington, D.C. 20044-0407
MEMORANDUM

*International Office:
 Brussels, Belgium
 Prague, Czechoslovakia*

VIA TELECOPIER 011 44-78-445-5000

TO: Dr. Sharon Boyse
 British American Tobacco Company

FROM: Paul Dietrich

DATE: December 22, 1992

As usual, I am late in sending out my bills. I just returned yesterday from Russia and the Republic of Georgia and I am trying to send out all of my bills by the end of this year.

I am attaching with this memo, a copy of a bill for my monthly consulting fees from June 1, 1992 through September 30, 1992. During this period of time, please make out your check payable to Paul Dietrich, 500 4th Street, S.E. Washington, DC 20003.

For the period of October 1, 1992 through December 31, 1992, you will be receiving a bill for my monthly consulting fees from Squire, Sanders & Dempsey. You should be receiving those bills within the next 30 days.

I expect to be in London in January and I would like to discuss with you in some detail, the work that has been done over the past year by the Institute for International Health and Development as well as our plans for 1993.

You should have received copies of the Institute's publications for 1992. However, I received a note from your secretary asking that copies be sent. I have asked our mailing house in Pennsylvania to send you additional copies. Our winter issue of International Health and Development is at the printer now and will be published and mailed in late January.

My book on the World Health Organization is in the final process of editing and I expect it will be printed and mailed in early February.

500899119

CE: (BY FAX # 933-2000)

RA-HPE/SEARO IN BHARA - FOR INFO.

→ IO (MRC HARGRAVE BIR KAUR PANDEY) - FOR INFO.

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RA-HPE/SCN/IV

From: Information Unit
THE TIMES OF INDIA _____
THE HINDU _____

THE ASIAN AGE _____
THE STATESMAN _____
OTHERS _____

✓ THE INDIAN EXPRESS 4 SEP 1999
THE HINDUSTAN TIMES _____

cc:

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08-SEP-1999 12:26

FROM

TO

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P.07

Tobacco Is Addictive,

Admit Makers Of Marlboro

US tobacco giant Philip Morris admits in a Texas court that tobacco is addictive just a few years after swearing under oath that it was not, says SANCHITA SHARMA

TOBACCO companies worldwide suffered a major setback when a federal judge in Marshall, Texas, ruled that the family of the 'Marlboro Man' cigarette ad actor could proceed with a wrongful death suit against the US's top cigarette-maker, Philip Morris Cos. Inc.

Actor David McLean, who had appeared in innumerable print and television advertisements as the original 'Marlboro Man', the image of a rugged cowboy who promoted Philip Morris' top-selling Marlboro cigarettes, had died of lung cancer in 1995. He began smoking in real life at age 12 and his widow, Lilo McLean, and their son, Mark Huth, filed suit for wrongful death in 1996.

Interestingly, Philip Morris sought to have the case thrown out by the judge before a jury trial on the plea that Texas law prohibits suits for addiction and that the "addictive" and dangerous proper-

ties of tobacco were commonly known to the public since the time of Christopher Columbus. Therefore, the tobacco industry asserted, McLean assumed the risk of addiction and cancer death when he started smoking.

The McLean family's counsel countered this at the hearing on the motion by pointing out that the tobacco company executives had testified under oath before the US Congress in the mid-1990s that tobacco was not addictive, and that these hearings were nationally televised. So far, tobacco companies have been suppressing information on the addictive nature and the harmful health effects of tobacco for obvious commercial reasons.

The McLean lawsuit alleges that the actor became addicted to tobacco and developed terminal lung cancer from smoking. The suit also alleges that the defendants suppressed information about the addictive nature of tobacco



WELCOME TO MARLBORO COUNTRY: Cigarette hoardings from around the world

from the public and the governer long after warnings for cancer were mandated in 1964.

The other actor and model who dragged his former employers, again tobacco company, to court is Alan Landers. Landers, who provided the image of a cool smoker as 'Winston Man' in R.J. Reynolds ads, started smoking at age 9 and has filed a lawsuit again Reynolds blaming the company's cigarettes for his health troubles. He has survived two fights with lung cancer, had three of five lobes removed from his lungs and had multiple, other smoking-related surgeries, including heart surgery, all because of his addiction to tobacco, the only product, he says, "which kills you when used as directed".

Judge David Folsom made the ruling rejecting an industry motion for dismissal on August 13 in US District Court for the Eastern District of Texas. If the appellate court upholds the ruling, the trial could begin in early 2000, according to attorneys for the widow and son of actor McLean. Judge Folsom had previously ruled that the Attorney General or the State of Texas was not barred under Texas law from bringing suit against the tobacco industry and that suit was subsequently settled.

Over 8 lakh people die of tobacco-related causes in India every year, that is more than 2,200 people every day. Tobacco smoke has more than 4,000 chemicals, of which at least 43, are definitely carcinogenic. It causes half of all cancer among men and a fourth among women in our country, where 2.25 new cases were reported in 1996 alone.

Alternate crops to tobacco recommended in Andhra

M Enosh Jeremiah

HYDERABAD 6 JULY

TOBACCO farmers in Andhra Pradesh, who are observing a crop-holiday during the year 2000-2001, have been advised to grow millets, pulses, and oilseeds as alternate crops "as they give almost the same returns to farmers as tobacco does."

The advice has been given by a team of scientists and officials of the Acharya N G Ranga Agriculture University, Hyderabad, Central Tobacco Research Institute, Rajahmundry, Tobacco Board, Guntur, and the state agriculture ministry.

They studied the best alternate crops to tobacco and prepared an action plan.

The team classified important tobacco growing areas in Guntur,

Prakasham, East Godavari, Khammam, Krishna, West Godavari districts into eight 'situations' based on the factors like soil types, rainfall, irrigation potential etc.

The eight classified 'situations' are: black soils, rainfed (well distributed rainfall); black soils, rainfed (late onset of monsoon); black soils, irrigated (early withdrawal of rains); black soils, irrigated; red soils, rainfed (well distributed rainfall); red soils, rainfed; red soils, irrigated; and alluvial soil (inundated up to September).

The recommended crops for such soils being soyabean, green gram, sesamum, sunhemp, pillipesara, pigeonpea, cotton, maize, sorghum, chillies, sugarcane, turmeric, colocacia, sunflower, groundnut, baira, horsegram, and

fodder seed. "Since tobacco, particularly FCV (flue-cured virginia) tobacco, is an important commercial crop, we have taken care to recommend only such alternate crops which give almost as good returns, if not better, as tobacco," the agriculture ministry officials told ET.

According to Dr A Padma Raju, director of research, Acharya N G Ranga Agriculture University, who was also a part of the team, the alternate crops have been short-listed after carrying out extensive research, as also consultations with various concerned institutions.

"Besides, we have also involved tobacco farmers in deciding on the alternate crops as it is ultimately they who have to get convinced of the usefulness and effectiveness of those crops," he said.

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CONSUMERS' ASSOCIATION OF PENANG

Mid September 1997 Vol 27 No 17 Per. M 9d70 Jon Subah/S'wak R04 L00 ISSN 0120-950X PP1597/12/98

- Simplify your life —17
- Slow is beautiful —17

THE NEW OPIUM WAR



How the government and tobacco corporations in the U.S. came to a "global settlement" to control smoking at home and more aggressively push death and disease to developing countries such as Malaysia.

Many more people in developing countries such as Malaysia will die of smoking-related diseases as a result of a proposed settlement between the government and tobacco corporations in the United States of America.

About 250 international health leaders signed a petition recently, urging U.S. President Bill Clinton to scrap the deal. Amongst the signatories were delegates to the recently-held 10th World Conference on Tobacco or Health in Beijing, where settlements against the tobacco pact ran strong and deep.

Though known as the "Global settlement", the pact says nothing about the global operations of US tobacco companies and does nothing to restrict their activities, on the other hand, it gives free rein to the companies to export death and disease.

An aggressive exploitation of the peoples of developing countries by the tobacco corporations, in collusion with the U.S. government, and a silencing of any opposition to the peddling of their drugs can only be expected.

The deal will also close off foreign tobacco victims' access to U.S. courts and effectively end the disclosure in the U.S. of damning internal company documents.

It will provide virtual immunity for the tobacco industry from future legal action and from paying any penalty for past wrongs.

This scenario is so reminiscent of the 19th century Opium War, when Great Britain forced China to open its doors to the British-controlled opium trade.

The unsettling settlement — on pages 2, 3, 4 and 13.

EXPLODING LIGHTERS

Whether it's held in your hand or kept in your pocket, your multi-purpose disposable lighter is a "live bomb" that can blow up and injure or kill! Such lighters have been linked to numerous cases of death and injuries in several countries in the past. — 5



QUESTIONABLE COSMETIC CLAIMS

"Natural". "Cruelty free". "Unscented". "Fragrance free". "Oil free". "Noncomedogenic". What do these claims on cosmetic products mean? What's the truth behind these claims? Are products with such claims as gentle and caring as they sound? The answers may well surprise you. — Centrespread

Tobacco Development and Labour Migration

Planning for Labour Welfare and Development

MSA Rao

Tobacco development demands a large supply of labour having new skills. The labourers who have acquired such skills in other areas move to the new areas of development. The present paper, on field work, examines one such situation regarding the introduction of light soil Flue Cured Tobacco in the West Godavari district of Andhra Pradesh.

The author discusses the various operational activities connected with tobacco cultivation and the skills required on the part of the labourers. In the absence of adequate supply of skilled labourers in the area, they are imported from areas where there is already an established tradition of tobacco cultivation and where tobacco cultivation has declined. This stream of migration which tends to be job oriented is discussed in detail.

The part played by government agencies and certain companies in the development of tobacco has been significant. While the farmers get easy credit, fertilisers, technical help and marketing facilities, the labourers are left to themselves. Wage rates are low, the camping labourers live in miserable conditions, medical facilities are poor and inaccessible and there are no educational opportunities for the children who migrate along with the parents. There is no voluntary organisation or union which organises labour for a better deal. A plea is made in the paper for planning for labour development and welfare as an integral part of the programme of tobacco development.

CULTIVATION of flue cured virginia tobacco in the light soils demands a large supply of labour having new skills. Often labourers who have already acquired such skills in other areas migrate to the new areas of development. Planners tend to ignore the needs of migrant labourers in planning for tobacco development. The present paper focuses its attention on the need for planning for labour welfare as an integral part of tobacco development. The specific labour situation pertains to the introduction of Light Soil Flue Cured Tobacco in the West Godavari district of Andhra Pradesh.

Tobacco is one of the important cash crops in India and its cultivation forms an important aspect of agricultural development. Although country tobacco was grown on the west coast since the 17th century, Flue Cured Virginia (FCV) tobacco was introduced in 1929. However, it was only in 1929 that FCV tobacco was successfully cultivated first in Andhra Pradesh. While it ranks third among the countries producing tobacco, next to USA and China, it occupies the fourth rank among the countries producing the FCV tobacco next to USA, Japan and Canada. India accounts for about 11 per cent of the total area and 8 per cent of the world tobacco production. In 1975 FCV tobacco was grown in

nearly 120,000 hectares yielding about 100 million kilograms. Government of India gets a revenue of about Rs 390 crores by way of excise duties. Approximately 90 per cent of the total foreign exchange earnings from tobacco exports comes from FCV tobacco. Exports during April-December 1977 reached an all-time record crossing the Rs 100 crore mark (press release, Tobacco Board of India, Guntur).

Tobacco provides employment on a large scale at different levels. It employs 705 lakh farmers and provides employment to more than 30 million people in such activities as curing, grading, redrying, packing and in bidi and cigarette industries (Muralidhara Rao 1977).

While the introduction of FCV tobacco in 1929 was a great landmark in tobacco cultivation, the introduction of light soil FCV in 1960 was a greater event as it is considered to be the best exportable quality fetching the highest price. Currently (1978) the price of X-1 quality of light soil FCV tobacco is Rs 1,250.00 per quintal. There are three regions in India where light soil FCV tobacco is grown: West Godavari district, Andhra Pradesh (Northern Light Soil), Prakasam and Nellore Districts, Andhra Pradesh (Southern Light Soil), and Mysore, Hassan and Shimoga Districts in Karnataka, (Karnataka Light Soil). Of these, West

Godavari district in Andhra Pradesh stands at the top in terms of hectareage (ILTD 1970). During 1977-78, cultivation of FCV tobacco in new light soil areas had extended to over 21,300 hectares far exceeding the target of 12,000 hectares. The total light soil coverage during 1977-78 amounted to 80,000 hectares (Hindustan Times, New Delhi, March 20, 1978).

In 1978 light soil FCV tobacco was grown on 8,905 hectares in the upland area of West Godavari district and a small part of Khammam district. This includes whole of Polavaram taluk except the Godavari banks, about half of Kavoor taluk, and a few villages in Chintalapudi, Elur and Kothagudam taluks. There are 2,743 barns in operation in this area, according to ILTD records. The present paper is confined to this upland area where light soil FCV tobacco is grown. It is based on field work (which is still in progress) in this area for two months, January to March 1978. We shall describe below the various processes in the cultivation of FCV tobacco and the nature of demand for and supply of labourers having varied levels of skills.

Light soil FCV tobacco cultivation is the most labour intensive of all the varieties of tobacco. From raising the nursery to marketing, it is one continuous chain of operations needing labourers all through. Light soil FCV

tobacco in West Godavari is raised by irrigation during October-April. The fields are ploughed and made ready for transplanting in October. After regular watering for three days in the beginning, it requires watering once a week. After 20 days of transplantation inter-cultivation and weeding are done. Fertilisers are applied once, and pesticides are sprayed twice in the season. The caterpillars do not automatically die with spraying. They will have to be picked individually and killed. When the plants flower, they are removed by topping, and after a few days suckering is done. In January the crop is ready for harvesting. The leaves are picked, from the bottom, once a week, and they are transported by bullock carts to the barns where they are tied to bamboo sticks and stacked in the barn for curing. Normally there are ten pickings of leaves for the season beginning from January.

After the leaves are cured which takes about six days per barn, they are removed from the sticks and bulked. Sometime in February the farmers start the grading and baling operations, as soon as the market opens. The cured leaves are untied and graded into three or four major lots. They are baled and transported to the buying points of various companies. It is estimated that the labour required per acre for all the operations from ploughing to marketing is 304 man and woman days. This excludes the more skilled labour required in curing. Each barn needs one curer and a fireman for a period of three months. One barn can cure leaves from six to seven acres.

Apart from the demands made by the farmers on the labour, the buyers (companies) need a large army of women labourers for grading and redrying. A large buyer employs thousands of women in grading and redrying during late February to May, depending on the amount of stocks that the company has been able to buy. For instance, ILTD alone has employed 17,589 workers in grading and redrying operations in the 1978 season. This excludes workers employed in the manufacturing of cigarettes and chutnias (correspondence 21-4-78).

It is necessary to distinguish different levels of skilled jobs connected with light soil FCV tobacco cultivation and the sex specific tasks, in order to understand the demand for specific skilled jobs. In the whole series of operations connected with tobacco cultivation and processing, weekly

reaping and tying of the leaves to the sticks are considered to be skilled jobs. Not only the right leaves are to be picked but also it has to be done with considerable swiftness. Similarly, tying the leaves to the sticks with speed is a skilled job. Six to seven acres of tobacco fields will give one barn load of leaves. The picking will have to be done before noon and tying before the evening. About 800 to 1,000 sticks will be loaded into the barn. This crucial task of reaping and stringing is generally done by a gag of twenty persons, on a contract basis.

The local labourers have learnt these skills only recently. The farmers have not developed confidence in them especially in regard to dependability, authenticity and swiftness. Hence they invite gangs of labourers consisting of adult males, females, boys and girls from Guntur and Krishna districts where there has been a tradition of FCV tobacco cultivation. In fact, FCV tobacco was first introduced in Guntur district in black soils, and Guntur and Krishna districts enjoyed the virtual monopoly of its cultivation for a period of about thirty years until the introduction of light soil FCV and canal irrigation (Nagarjun Sagar) in the early sixties. While tobacco cultivation declined in Guntur and Krishna districts as a result of the combined effects of canal irrigation and lack of market for black soil FCV, it picked up in the upland area of West Godavari district. The introduction of new light soil FCV tobacco in West Godavari district further increased the demand for expert gang labourers from Guntur and Krishna districts, during the time of harvesting, i.e. January to end of March or beginning of April. Often farmers will have some acres under late plantation which mature in the first and second weeks of March and harvesting will go on till the middle of May, in which case the migrant gangs are kept busy until the middle of May.

Another highly skilled job in FCV tobacco processing is curing. Once again curers from Guntur and Krishna districts are invited by the farmers in West Godavari district. Approximately there are 800 migrant curers in the 1978 season. Grading is also considered to be a semi-skilled job for which only women are employed. The local labourers have picked up this skill and the farmers mostly depend upon them. The companies which buy tobacco need female labourers for grading, on a large scale. Hence fe-

male workers migrate to the grading centres of the companies which are located at different places. There are about twenty major companies and some of the big ones among these have four to nine grading centres, employing thousands of females in each of them.

We have thus far considered the magnitude of the demand for labour and the nature of skills required in the cultivation and processing of light soil FCV tobacco. We shall now consider the social composition, organisation and conditions of work and living of the migrant labourers.

We have noted that there are 2743 barns in the Northern light soil area. Approximately 220 migrant gangs or 4,200 workers from Guntur and Krishna districts are working on the tobacco fields in the current season. Each gang (*banta*) is headed by a leader (*maistri*) and consists of 18 to 20 labourers. I have interviewed labourers in twenty-two gangs spread over five villages — one in Kovoor taluk and four in Polavaram taluk. I give below an account of the social composition, age and sex and place of origin of the migrant workers.

Twenty one out of 22 gangs have migrated from Guntur district and one gang has come from Krishna district. The distance varies from 150 to 250 kilometers. Out of the 21 gangs which have come from Guntur district fifteen have migrated from Sattanapally taluk, three from Machilipatnam, two from Narasaraopet and one from Tenali. There are in all 377 migrant labourers in the 22 gangs. While 317 are adult labourers above the age of 16, 60 are child labourers between the ages of 15 and nine. There are 101 non-working children including babies. Out of 317 adult labourers, 179 are males and 138 are females and out of 60 child labourers, 23 are males and 37 are females. The 377 labourers are distributed over 149 households belonging to seven castes. A large majority of them (nearly 95 per cent) belong to two major scheduled — Malas (262) and Madigas. Thirteen labourers belong to scheduled tribes — Yarakulas (3) Boyas (5). Only 3 labourers are the peasant caste Kapus and 2 the washerman (Sakali) and one cowherd (Golla) castes.

Thus the migrant labourers consist of Malas and Madigas, majority of them are Christians, a large number of them are rural labourers at the places of

a few of them are engaged in weaving coarse cloth of forty counts and below. The labourers normally move in units of households consisting of husband, wife and children, or brother and sister, or mother and daughter. There are also many single member migrants who attach themselves to one or the other kitchen unit.

The leader of the gang first establishes contact with the farmers either personally or through correspondence. A group of farmers having a total of six barns will invite the leader to come with his gang. The unit of operation for one gang is six barns, and six to seven acres per barn. The farmers give one way train or bus fare for coming, bamboo and thatching materials for building one large hut, earthen pots and fuel for cooking and kerosene for lanterns. The labourers will have to buy their own provisions. Women cook food outside the hut in the open. Each household has a separate hearth. The labourers use the farm well for drinking, cooking, bathing and washing. The labourers get up at 4 or 5 a.m. go to the concerned barn to remove the cured leaves from the sticks which are kept overnight in the open stand for conditioning. Early in the morning there will be moisture in the air and the leaves will be soft. It is at this stage that the stringed leaves are removed from the bamboo sticks and bulked. After doing this work they go back to their hut, wash and have their morning meal and get ready by 7.30 or 8.00 a.m. to go to the fields for reaping tobacco leaves. It takes the gang of 20 labourers four to five hours to execute this job. The

leaves are transported by bullock carts to the barns. The labourers accompany the bullock carts and unload three or four carts at the barn. They hardly take half an hour off for having their midday meal. Usually they do so only if their huts are near the barn. Otherwise they continue to work, without a break.

Around 1 p.m. they start stringing leaves to the sticks. This is team work, each team having three members: one to hand in leaves and one to string them up. This operation takes about five hours. Then the labourers load the sticks with cured yellow leaves from the barn putting them on a stand in the open, and load the sticks with the green leaves.

This operation takes about one hour. Thus it is only by about 2 p.m. that the gang labourers will be able to complete their day's work.

Then they return to their hut, wash and relax. But the women will have to cook their food and feed the babies. Cooking is done only once a day in the evening.

On an average, the gang labourers work 12 hours a day. All the labourers including child workers are considered to be equal in terms of work and wages. Each one gets Rs 5 a day. Farmers pay Rs 100 (which is the current rate) per day per barn work. The leader of the gang keeps account, for each worker, of the advances made for buying provisions, cheroots and bides and going to cinema. He also keeps the muster of attendance. If a labourer is not well and does not work, he will not get the wages for the day. Similarly if for any reason the farmer has no work for the gang labourers, they will not get the wages. Although in theory the leader is free to work for another farmer outside the contract, he learns about lack of work for the next day only a few hours before the night, and he will not have enough time to make an alternative arrangement.

The farmers in the contract will not make full cash payment every day. They only pay a little sum of money to the leader to enable him to buy provisions for his gang members. All the accounts are settled at the end of season when the farmer gets cash payment for the marketed tobacco. If the product is good, and if the farmer is happy, he may give some extra money as bonus for the leader of the gang. Otherwise the leader will have to be satisfied with the agreed wages, i.e., Rs 100 per day's work.

The foregoing account of the conditions of work and living of the migrant labourers shows that these are far from satisfactory. First, the contract wages are low, the labourers get Rs 5 for 12 hours of work. Second, the housing is very poor. All the members of six to eight households comprising a gang live in one hut. The thatching material provided by the farmers is so poor that if it rains in the night, they will have to collect their babies and belongings and rush to the nearby (often one furlong) farm house or farmer's house. Thirdly, the mothers do not get time to breast feed their babies. Although it is left to the leader to organise the work in his own way, the pressure of work is so much that the mothers do not get time to return to their hut to care for the babies. Occasionally an eight-year old girl who is baby sitting will carry

the baby to the place where the mother is working. But this is possible only when the place of work is near the hut. Fourthly, there is absolutely no provision for medical care of the migrant labourers. If a labourer falls sick, he will not only lose a day's wage but will have to suffer without medicine. When he is having high temperature, he cannot possibly walk two to three miles to reach a government hospital to get the medicine. There will be no one to get him the medicine. If any one of the gang will have to go to get the medicine, he will also lose a day's wages. The farmers do not feel that it is their responsibility to give the workers medicine. Hence only when the temperature subsides after a day or two, will the worker walk to the government hospital and get the medicine. He will lose again one day's wages to get the medicine. Thus he will lose three days' wages if he is sick. Under conditions of open air camping, non-nutritious food and overworking, cases of illness are frequent.

Fifthly, the non-working children who accompany the parents do not get any schooling facility. Out of 101 non-working children in the sample, 30 are below the school-going age. Seventy-one children who are above five years, have to waste their schooling days because of the absence of school facilities. Besides the non-working children, the working children between the ages of 15 and nine, and the working adults can also be educated informally in the evenings. Ninety per cent of the gang labourers are illiterate. The state of illiteracy will be inherited by the children in the absence of educational facilities in the place of work.

It is necessary to stress that migration is a way of life with the gang labourers, not only among the tobacco workers but also among all types of contract workers. Hence it is necessary to plan for the provision of basic needs of shelter, medicine and nutrition, and education wherever they move. Who should provide these facilities? This is the basic question in the exploitative system.

It is evident that the planners and promoters, both government and private, have not taken the needs of the labourers in planning agricultural development in general and light soil tobacco cultivation in particular. It cannot be gainsaid that labour is an important input in the productive system, and therefore the planners and promoters should plan for labour deve-

Communication strategies for intervening in the tobacco habits of rural populations in India

MIRA B. AGHI, P. C. GUPTA, R. B. BHONSLE AND P. R. MURTI

*Basic Dental Research Unit and WHO Collaborating Centre for Oral Cancer Prevention,
Tata Institute of Fundamental Research, Bombay, India*

A 10-year prospective intervention study was conducted in three rural areas among 36 000 tobacco users in India with the objective of bringing in behavioural modification and habit cessation. This was a complex exercise, considering that the study population was diverse, illiterate and non-voluntary, coupled with characteristic life styles, beliefs and perceived notions on the medicinal importance of tobacco. In-depth studies and pilot surveys were conducted prior to the planning of intervention. On the basis of these studies, several communication inputs were designed: (i) personal communication, (ii) films, (iii) posters, (iv) folk-drama, (v) radio programmes, (vi) cessation camps, (vii) dental treatment and (viii) newspaper articles. These were pretested and the population was exposed to them in measured doses. These approaches were found suitable and brought about habit cessation in 14% of the tobacco users. Personal communication which afforded one-to-one interaction was the most preferred input by the population.

INTRODUCTION

Oral cancer is a common cancer in India (1), and voluminous data demonstrate the causal role of tobacco in this disease. It has also been established that tobacco habits are strongly associated with various oral precancerous lesions and conditions, and that oral cancer in most instances originates from precancer (2-5). Motivated by these findings, an intervention trial was undertaken among 36 000 tobacco users in three rural areas in India, namely, Bhavnagar district in the State of Gujarat, Ernakulam district, Kerala, and Srikakulam district, Andhra Pradesh. The broad objectives were to: (i) motivate people to give up their tobacco habits, and (ii) measure its impact on the incidence of oral precancer. This paper describes the planning, design and implementation of communication strategies in pursuance of the first objective of the study.

STUDY POPULATION

The target population consisted of 12 000 tobacco users aged 15 years and over in each of

the three districts. The tobacco habits prevalent in these areas included smoking cigarettes, *bidis*, *hookis*, *chutta* and *reverse chutta*; tobacco was also chewed by itself, or more often in *pan*, i.e. betel quid. The populations in these areas differed in their life styles, languages, diet, educational level, socio-cultural set-up, attitudes, beliefs and perceptions, and they were non-voluntary.

PLANNING OF INTERVENTION

The first step in the planning of intervention was to understand the habits — how were they taken up, how they are continued and how they fit into the life style of the habitues — what perceptions they have about the virtues or ill-effects of these habits and finally what will make them quit the habits, if at all.

Very little information was available on the above factors for planning the strategy. Therefore, a series of in-depth interviews with individuals, and short surveys of the population were done in each area. These studies

also investigated what kind of communication inputs the population needed or would be receptive to. These studies showed that although people generally thought that tobacco use is not good, they were not aware of its harmful effects. Accordingly, the focus of the intervention revolved around health education, reinforcement, motivation, suggestion of methods of cessation, and advice on combating withdrawal symptoms.

The following communication strategies were designed, pretested and used with periodic up-dates on the basis of feedback.

Personal communication: Personal communication was provided by examining dentists, social scientists and other members of the team. The type of information to be given by each communicator was predetermined. Personal communication was usually given in a one-to-one or one-to-two ratio and was done with a view to sorting out doubts and learning behaviours that would result in abstinence from the habit. The steps in personal communication were worked out in a logical order, keeping in mind the dynamics of human psychology and what it takes for people to make decisions and change their attitudes and behaviour. Visual aids, like pictorial booklets or a set of photographs, were utilized. Personal communication accorded an opportunity for the people to establish trust and confidence so that their individual problems regarding tobacco habits could be discussed. Methods of tobacco cessation and means of combating withdrawal symptoms were a part of the personal communication.

Films: Film is a very powerful medium for creating awareness, especially among non-literate and semi-literate audiences; and when it is utilized effectively, it works in motivating behavioural changes. Its advantage is that it gives information to many people at the same time. Besides giving a uniform message to everyone, it can present information by dramatizing situations that have human appeal.

Two films were produced in local languages specifically for this study. The objective of the first film was to give information and create awareness about the relationship between tobacco habits and oral cancer; the second film was intended to point out how habits are taken up, continued and how they can be given up:

To derive maximum benefit, the film was screened according to a set format. It was shown to small groups at a time; in Kerala, screening was always done in a room, while in Gujarat and Andhra Pradesh this was not always feasible. The screening was preceded by an explanation of the film by social scientists and followed by a group discussion.

Posters: Specially designed posters were displayed to serve as a reminder to the target population that they ought to be reconsidering their tobacco habits. Two kinds of posters were utilized, one with a written message and the other with pictures. Slides prepared from these posters were projected in movie houses around the villages. In addition, hand-written posters summarizing the findings in the village were put up.

Folk-drama: Plays were produced to correct the prevalent superstitions and misconceptions about tobacco with the objective of discussing and perhaps explaining them. Folk-drama was used in Srikakulam district because *burra iatha*, a form of folk-drama with songs and music is popular in this area. The format of *burra iatha* was well-suited for conveying intervention messages as it had three characters: the first, a clown represented the viewpoint of the villagers and conveyed their misconceptions and beliefs; the second character represented the examining team, and dispelled the misconceptions; and the third coordinated the information in the right perspective. A special script on tobacco use and oral cancer was written in folk-drama style.

Radio programmes: These were utilized to create an environment that would help the

target population to think about their tobacco habits and act as reminders in between examinations. The programmes were made in the form of talks, interviews, dramas, documentaries and spots.

Cessation camps: At a particular time, cessation camps were conducted in the villages on request of the target population, who volunteered by saying that they believed what was said about tobacco and would like to give it up but needed help and support. In cessation camps, detailed discussions were held to suggest solutions to the problems of discontinuing the tobacco habits. Regular daily follow-up was maintained for a few days until people felt they could abstain on their own.

Dental treatment: Pre-planning surveys revealed that a majority of the people, and most women, began to use tobacco for its perceived medicinal value for tooth-related problems (see paper by Bhonsle *et al.*, this volume). It was decided to address this problem by setting up temporary dental clinics in the villages so as to eliminate at least one of the reasons given for practising the habit. This opportunity was also utilized to conduct exhibitions on tobacco habits and organize group meetings, with a view to encouraging the target population to ask questions and to discuss their feelings and doubts.

Newspaper articles: Although literacy was low, with the exception of Ernakulam (65% in 1980), newspaper articles were published in all areas under study to inform and educate people on the subject of oral cancer and intervention. It was hoped that school children and other literate members of the community would read and convey this information.

METHODOLOGY

The intervention procedures were integrated and matched with routine examinations of the

population. The examinations were done during a base-line survey and 10 annual follow-ups. In each area, oral examinations, interviews and intervention were conducted by a team consisting of dentists, social scientists, interviewers and other supportive personnel. The social scientists were trained in conducting in-depth interviews and in interacting with the population in a considerate and friendly manner. They were also given requisite information on oral cancer and precancer.

The study population in each area was spread over many villages, and the examination procedure lasted 3-10 days in each village, each year. During this period, the social scientists and other members of the team interacted with the population, delivered personal communication, screened the film and fixed the posters.

EFFECTS OF INTERVENTION

It was gratifying to note that the intervention procedures adopted were easily understood by the villagers and the concept of intervention was well received. This was borne out by the results. For example, in Ernakulam at the end of one year of intervention, 2% had discontinued the habit (6); 9.4% had discontinued after five years (7), 12.3% at the end of eight years (8) and 14% at the end of 10 years (see paper by Gupta *et al.*, this volume). A 'rank ordering' of the inputs by the target population as per their preference indicated that personal communication had been the most helpful to them, perhaps due to the one-to-one interaction that it afforded (9).

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Commercial Capital and Agrarian Relations

A Study of Guntur Tobacco Economy

Nata Duvvury

PH-2

This paper discusses the dynamics of tobacco cultivation and trade in Guntur region. Flue-cured virginia tobacco was introduced in India by a subsidiary of the British American Tobacco Company, the leading cigarette conglomerate. In the initial phase, the company closely supervised and controlled cultivation. This control was achieved by its monopoly of the new technology and a system of contracts between the company and the cultivators. The author examines the impact of the new crop on the agrarian structure—how it strengthened the upper stratum of the peasantry.

The contract form of marketing gave way to the unregulated system of marketing around depots opened by the traders in the villages and the rich ryots found a lucrative source of accumulation in the intermediary positions opened up by the depot system.

Finally, the author discusses the present-day crisis in the tobacco economy and the introduction of the system of compulsory auctioning in the marketing of tobacco. The analysis reveals how the possibilities and potential for accumulation in the tobacco economy are bounded by the choices and decisions of international capital, such as the position it has allocated to the Guntur tobacco in the international blending hierarchy, specific cultivation practices it has promoted or the alternative areas of tobacco supply it has chosen to develop. As a consequence, there has been a shift away from Flue-cured virginia tobacco in the Guntur region and a search for a new profitable crop that would partly sustain the process of accumulation.

THIS paper attempts to analyse the dynamics of tobacco cultivation and trade in Guntur region. The role of external capital in initiating and sustaining commercial agriculture in Third World countries has been widely recognised. The history of flue-cured virginia (hereafter FCV) tobacco is particularly interesting in this context as it was introduced directly in the majority of the present-day producer countries by some of the leading transnational cigarette conglomerates.

In India the crop was introduced by a subsidiary of a leading cigarette conglomerate, namely the British American Tobacco Company (hereafter BAT). Unlike the operations of BAT in China, where they depended on a landlord moneylender combine to spread tobacco cultivation,¹ in Guntur they preferred to deal directly with the peasants. An understanding of the pre-tobacco agrarian economy of Guntur (Section I) becomes relevant in this context. In the initial phase of FCV tobacco cultivation in India, the company closely supervised and controlled the cultivation. This control was achieved by its monopoly of the new technology and a system of contracts between the company and the cultivators (Section II). We shall examine the impact of the new crop on the agrarian structure—how it strengthened the upper stratum of the peasantry (Section II).

The contract form of marketing gave way to the unregulated system of marketing around depots opened by the traders in the villages. The chief characteristics of the depot system were: (a) absence of any contractual relationship between the trader and cultivator, (b) price formation on the basis of personal negotiation, (c) complete absence of any regulation either on the price or mode of payment, and (d) a proliferation of various categories of intermediaries. The

rich ryots found a lucrative source of accumulation in the intermediary positions opened up by the depot system. Thus, even the scale of cultivation shows no tendency to increase (in fact declines) during the period though the scale of operation increases. These are the issues that are discussed in Section IV.

In the final Section, we shall discuss the present-day crisis in the tobacco economy and the introduction of a system of compulsory auctioning in the marketing of tobacco. Our analysis reveals how the possibilities and potential for accumulation in the tobacco economy are bounded by the choices and decisions of the international capital such as the position it has allocated to Guntur tobacco in the international blending hierarchy, specific cultivation practices it has promoted or the alternative areas of tobacco supply it has chosen to develop. The consequence of the above has been a shift away from FCV tobacco in Guntur region and the search for a new profitable crop that would partly sustain the process of accumulation.

I

Agrarian Economy of Guntur District Prior to FCV Tobacco Cultivation

The present Section is devoted to a description of the spread of commercial cultivation and the consequent changes in production relations in Guntur district upto the end of the 1920s. Our presentation highlights the facts that Guntur agriculture was already highly commercialised and that the agrarian structure was stratified on the eve of the entry of FCV tobacco.

Guntur was a rain-fed district prone to

drought and famine with an average rainfall of less than 40 inches. This was compounded by the fact that the district relied on the vagrant north-east monsoon for more than one-third of its rainfall. The construction of the Krishna dam in 1855 eased the situation somewhat bringing irrigation to two taluks of the district. Our discussion, however, is limited to the dry taluks of the district where FCV tobacco became a predominant crop.

Around the same time as irrigation was introduced, the ryotwari system was adopted in the region, closing a long chapter of agricultural anarchy and degeneration of the district caused by ad hoc revenue policies of the British. The significant features of the ryotwari system were that the revenue assessment was settled directly with the individual landholder and that it was based on a uniform money rate. This form of revenue settlement paved the way for a certain dynamism in the agrarian structure. Firstly it removed the zamindari intermediary class from the agrarian scene. Secondly being a money rate it compelled all sections of the peasantry to part with a part of their produce thereby stimulating commodity production. At the same time being a uniform rate it provided incentive for a cultivator who had the capability, to grow high-valued cash crops. Apart from the compulsions and incentives of the tax system, one may also consider the impact of the demographic pressures on the agrarian system. In the case of Guntur, the worsening land-man ratio did not result in the intensification of subsistence agriculture. On the other hand, it encouraged a shift to cash crops given the possibility of food imports and the movement of relative prices in favour of cash crops.²

It is seen, therefore, that Guntur district

experienced a significant expansion in commercial cultivation in the seven decades between 1865 and 1930 (see Table 1).

The most striking feature that emerges from Table 1 is the expansion of area under 'cash' crops at the expense of foodgrains. Further, the composition of commercial crops changed dramatically over the period along with changing market conditions. It may be noted that a part of the grain production was also meant for the market and by the end of the twenties more than 42 per cent of the rice production was marketed.³ Even the cultivation of fodder, which is included in 'other crops', came to be a commercial venture with the decline of foodgrains in the dry taluks of the district. The upland cultivators imported rice as well as fodder from the delta area.

This expansion of commercial agriculture was accompanied by the development of agro-processing industries.⁴ The processed and semi-processed agricultural products were not only traded within the district but were increasingly exported. Exports of commodities from the district increased nearly eight-fold between the 1880s and end of the 1920s.⁵

The rapidly expanding commerce in agricultural products was controlled by a long chain of intermediaries at the apex of which were the English firms such as the Volkart Bros and Ralli Bros, who controlled much of the export trade in cotton, indigo and groundnut, and the wealthy Indian Marwari or Chetty firms, who controlled significant portion of the internal trade in rice, chillies, turmeric, etc. The lower level of intermediaries, from the village dealers to the established wholesalers in the market towns, whose relative autonomy *vis-a-vis* the superior in the hierarchy varied according to the trade conditions as well as the type of crop, had been traditionally filled by the

local trading caste of Komatis or by the Marwar immigrants.

An interesting aspect of the commercialisation process in the district was the emergence of a stratum of peasants who entered the commodity markets and rapidly prospered at the lower level of intermediaries. They traded not only rice but also various dryland crops. For example, it was observed that in the case of *desi* tobacco that rich cultivators turned merchants were able to dictate terms to wholesalers/manufacturers.⁶ This stratum of peasantry also invested in agro-processing industries.⁷ Interestingly, we also notice that the richer peasants, who had amassed surplus from commercial cultivation given the buoyant agricultural prices of the early decades of the twentieth century, increasingly displaced the traditional village moneylending castes from the rural scene. A post-Depression enquiry revealed that 87 per cent of the moneylenders in Guntur were agriculturists themselves.⁸

But the dynamics of accumulation did not get reflected in any marked increase in land concentration. While there were increasing land sales, there are no adequate data to indicate that land was passing primarily into the hands of the rich peasants. It may even be argued that the returns possible from land being not commensurate with the increase in land prices,⁹ it would have been a serious discouragement for the surplus amassing rich peasant stratum to acquire landed assets as a further means of accumulation.

In case of the land lease market, there is evidence to indicate that land was being leased out by traditional non-cultivating landlords such as Brahmins and Vaisyas.¹⁰ More importantly many of these non-cultivating proprietors, mainly Brahmins, were migrating to urban areas. There is evidence to indicate that landless tenants

were not significant in Guntur and, in fact, mostly landholders were the ones who were active in the lease market.¹¹

The commercialisation of agriculture in Guntur also affected the agricultural labourers, the lowest strata in the agrarian hierarchy. An important change was the rise of money payment. In 1912, it was found that only 40 per cent of 541 villages surveyed, covering 56 per cent of the rural population of the district, paid a purely grain wage.¹² There were also tendencies towards greater casualisation of employment. There was a significant increase in the number of agricultural labourers and by the first decade of this century, their class border had crossed the traditional agricultural labour caste. With the expanding commercialisation of agriculture, the immiseration of the peasantry, the jobless artisans and growth of population swelled their ranks to claim a quarter of the workforce in the agriculture.

The above discussion has highlighted the fact that the agrarian structure in Guntur was in the process of change. Traditional bonds were beginning to break down. More importantly a surplus amassing rich peasant stratum had emerged. These trends were further strengthened with the introduction of FCV tobacco in Guntur district.

II

Introduction and Expansion of FCV Tobacco Cultivation

Tobacco was an important non-food crop grown in Guntur district in the nineteenth century (see Table 1). It consisted of various types of *desi* leaf used for cheroot, cigar and snuff. Cigarette leaf, or virginia tobacco, was cultivated only on an experimental scale in the nineteenth century. The rapid expansion of virginia tobacco followed the import tariffs on cigarettes and cigarette leaf in 1910-11 that made cigarette production and cultivation of virginia leaf in India attractive.

This phase also coincided with the entry of British American Tobacco Company (BAT) into Guntur. BAT had been formed in 1902, by the two leading cigarette manufacturers of the US and UK, as the sole agency of these two companies for the exports and production outside the US and UK. However, by 1911, BAT had come to represent mainly the British interests as the American parent company was dismembered following an anti-trust action. In India BAT took over the pre-existing trading network of its two parent companies. It formed a subsidiary company called Peninsular Tobacco Company (PTC) that started cigarette production in Karachi (1905), Monghyr (1908) and Bangalore (1913). Some other manufacturers like Godfrey-Phillips also started manufacture around the same time.

The cigarette consumption in India

TABLE 1: CROPPING PATTERN FOR GUNTUR DISTRICT, 1865-66 TO 1930-31

Crop 1	(Percentage of total cropped area)				
	1865-66 2	1881-82 3	1900-01 4	1930-31 5	
Rice	12.28	12.29	16.04	17.71	
Jowar	31.65	25.75	18.16	17.73	
Other inferior cereals	30.62	31.84	31.44	25.36	
Pulses	4.61	3.79	6.86	3.56	
Foodgrains	79.16	73.67	72.50	64.36	
Condiments and spices	2.43	2.63	5.01	4.05	
Oilseeds	3.84	6.98	3.30	13.18	
Cotton	11.32	9.87	6.53	3.97	
Indigo	0.85	4.69	3.01	0.01	
Tobacco	1.40	1.65	9.65	2.73	
Other crops	0.90	0.51		11.70	
Total cultivated area (acres)	9,84,503	11,68,479	18,18,167	21,09,015	

Source: Calculated from "Report on the Settlement of Guntur Division of Krishna District", Board of Revenue Proceedings No 1628, March 9, 1870; Gordon Mackenzie, "A Manual of the Kistna District" (Madras: Lawrence, Asylum Press, 1883); "Scheme Report of Resettlement of Guntur District", Board of Revenue (Settlement, Land Records of Agriculture) Proceeding No. 463, December 17, 1903; and "Scheme Report of Resettlement of Guntur District", Revenue Department, G O No 1390 (Con), July 29, 1936.

increased from 1,000,000 pounds in 1900-01 to 5,000,000 pounds in 1909-10. In the next decade, despite the agitations against foreign goods, cigarette consumption increased four-fold to 20,000,000 pounds in 1928-29.¹³

Initially the production of cigarettes, was based on the import of flue-cured virginia leaf from America. Later better qualities of desi leaf and Indian-grown virginia was used in the manufacture of low-priced cigarettes. By 1928-29 two-thirds of the leaf utilised in cigarette production was Indian leaf.¹⁴ The PTC in 1908 established a separate leaf purchasing agency called Indian Leaf Tobacco Development Corporation (ILTD). Guntur was one of the important purchasing centres of ILTD.

But it was soon found that desi leaf deteriorated in quality during the ageing process (a process crucial to cigarette manufacture). In addition imports of American leaf were becoming increasingly difficult with tariff increases, especially in 1925-26. These developments coincided with the interests of British manufacturers who were anxious for the development of alternative sources of American leaf because World War I had amply demonstrated the havoc that could be caused by a disruption in transportation. From the 1920s the British government actively encouraged the development of American leaf in its colonies by granting an imperial preference for tobacco grown in these areas. The stage was set for active promotion of American leaf in India.

Experiments on American leaf had been conducted under the auspices of the Imperial Council of Agricultural Research at PUSA from the early 1900s. After the formation of ILTD, this company established ties with PUSA for encouraging experimentation on American leaf. In the early phase, experiments were conducted throughout India to determine which area would produce the best leaf at the lowest cost. Guntur was one of the areas where ILTD undertook experimental cultivation. "... trials of this type (type 28-American leaf) made at Guntur ... resulted in the production of tobacco which according to the Company, will be useful in the manufacture

of cigarettes"¹⁵ The company, therefore, was willing to make a big entry into the Guntur area. The interest in Guntur was also due to the fact that the cost of production was lower in the district than at other places where trials had been conducted and more significantly, there "were large supplies of labour which was relatively easy to handle ..."¹⁶ The area under tobacco in Guntur district increased from nearly 40,000 acres in 1902-03 to 57,000 acres in 1912-13 and to 70,000 acres in 1925-26. More than 20 per cent of the increase in the latter period was accounted by cigarette tobacco.

Even though the ILTD was the major buyer of Guntur tobacco there were a number of other purchasers, representing domestic manufacturers of cigarettes as well as importers in Europe, operating in Guntur. All of them relied on local brokers and intermediaries for their supplies. The increased competition and the manipulations of the middlemen led to price rises, the price of 500 lbs of sun bright tobacco increasing from Rs 60 to Rs 80 between 1915 and 1925.¹⁷ The prospects in the trade of tobacco attracted the bigger ryots to enter into trade directly. It was noted by an observer:

The bigger ryots have begun, from 1916, to buy up large quantities of tobacco at the time of harvest, at very low prices, from the other smaller ryots and store it up in anticipation of a rise in prices. As the competition between the merchants has increased the cultivators of tobacco have almost given up their former practice of going in search of prospective buyers. It is now the merchants or their agents who have to go in search of the producers. These village dealers are thus able to dictate their own terms ...¹⁸

The ILTD attempted to introduce a "direct purchase system" in order to reduce the costs and reassert its control that was being eroded by the increasingly assertive intermediary class. The attempts at direct purchase were not fully successful as the richer ryots exercised every option available to strengthen their own bargaining position. It was in this rather fluid situation that ILTD began to encourage the cultivation of FCV

tobacco. The peasantry responded favourably to the crop. The dramatic increase in the area under cultivation and production of FCV is shown in Table 2.

The success of the company's efforts had a two-fold effect: Firstly, it freed the Indian cigarette industry from the need to import American tobacco and, not before long, assured the international cigarette interests of an alternative source of supply of FCV tobacco in the international market. Secondly, it enabled the Company to establish complete control over the tobacco economy in Guntur.

The introduction of FCV tobacco did not merely depend on a new American seed. It required detailed experiments as to soil and climate and appropriate cultivation practices or otherwise the subtle special characteristics of aroma and colour which made FCV tobacco desirable, would be vastly altered. Further it required the import of new technology perfected in United States for processing of the crop, namely, the *flue curing* technique. The traditional Indian cigarette tobacco was cured by sun or rack process. Only a company of ILTD's status with international connections could import the new technology and necessary technicians and adapt it to Indian conditions.

It took nearly a decade-long experimentation for the company to perfect the practices suitable to the Guntur agro-climatic zone. It started a small farm of eight acres for experimental cultivation in 1921. By 1923 the area under the company's direct cultivation had increased to 750 acres. The company's experimental farms acted as demonstration centres whose impact rapidly spread among the cultivators due to the persuasive methods of the company. The interested farmers were encouraged to grow American tobacco with promises of finances, seedlings and fertilisers. The company entered into formal contractual relationships with the farmers. Farmers would be supplied with all the necessary inputs and in return ensured produce to ILTD at the specified price. The value of inputs provided was deducted from the price at the time of the transfer of the produce. Initially the company bought the green leaf (on a per acre basis according to some rough grades) for further processing.¹⁹

With the spread of FCV tobacco cultivation, the contract system became the predominant form of relationship between the trading capitalist and the producer. ILTD had already direct contacts with a section of the cultivators under the "direct purchase system" previously mentioned. And FCV tobacco being a new crop with significantly different cultivation and processing practices implied that the farmers had to be trained in them. The company through the contract system, could exercise significant control in the field itself. In the words of one company manager: "The seedlings were grown and distributed by the company, free of charge

TABLE 2: AREA AND PRODUCTION OF FCV TOBACCO IN INDIA, 1927-28 TO 1949-50

Period	Average Acreage (hectares)	Average Production ('000 kgs)	Average Yield (kg/ha)
1	2	3	4
1927-28 to 1929-30	198	304	510
1930-31 to 1934-35	7,717	3,263	433
1935-36 to 1939-40	24,895	12,670	501
1940-41 to 1944-45	40,486	31,436	782 ^a
1945-46 to 1949-50	52,875	37,904	717

Note: a The sudden jump in the level of yield in the forties is partly due to better cultivation practices and partly due to improved estimation methods of yield and production. Sources: Indian Central Tobacco Committee (Ministry of Food and Agriculture, Government of India), "Indian Tobacco Statistics, 1939-59" (Madras Government Press, 1960) and Indian Leaf Tobacco Development Corporation Ltd, "Indian Tobacco Leaves" (London: ILTD, 1944).

to the cultivators who grew the tobacco, topped and suckered it under our supervision."²⁰ Initially the curing was also done solely in the barns of the company. That the technology, seeds, and marketing were controlled by ILTD ensured dependency of the cultivators on the company and allowed exploitation at the time of the transfer of the produce, grading of the tobacco being the most common method of cheating. With flue-curing, grading was increasingly done by the cultivators who usually opted to grade under the supervision of a *maistry* from the company for whose services the cultivator had to pay. This grading was quite crucial as the company could refuse an entire lot of tobacco if it was not in the specified grades or could downgrade the tobacco at a lower price than that stated in the contract.²¹ Through the contract system provided an assured market for the cultivator, it also enabled the company to intensify the exploitation of the cultivator—on an average, the cultivator received only 30 to 40 per cent of the export price.²²

The company had a monopoly control over the seeds and know-how of FCV tobacco. But why should the peasant enter into any contract to cultivate tobacco, a new crop with heavy capital investment and uncertainties? He could very well choose to continue to cultivate the traditional crops. Unlike in the early poppy and indigo cultivation in North India, classic cases of forced commercialisation, the company had little non-economic coercive powers over the peasant. Times had changed. As the Guntur Tobacco Market Committee put it:

None other than the better financial promise should have been responsible for prevailing upon the dry land ryot of the district to grow tobacco than those usually handled by him, a technique whose technique of raising and whose markets are little known to him.²³

"When the tobacco prices went down he (ryot) cultivated groundnut. If the price of groundnut goes down he could grow tobacco, chillies, etc", stated a ryot-merchant to the Banking Enquiry Committee.²⁴ The correctness of this statement is proved if one statistically examines the price responsiveness of tobacco. The correlation between the price of tobacco relative to jowar and the relative share of area under tobacco to jowar was found to be .7211, significant at 0.01 level for the period 1921-22 to 1953-54.²⁵

It should be borne in mind that FCV tobacco entered Guntur during the Great Economic Depression years when the prices of other crops in the area were sharply declining. On the other hand tobacco prices remained relatively stable.²⁶ Tobacco must have been an attractive substitute in the Depression gloom. Easier, to the peasantry pushed to the verge of ruin due to the fall in prices, arrears in debt payments and exhausted working capital (with the sources

of credit drying up, a phenomenon widely noticed²⁷), the contract offer of the company which assured them of the material inputs and a guaranteed market for their product must have appeared as a heaven-sent blessing. The price offered by the company, even while providing it with super profits, contained a premium ensuring a relatively higher return to the peasant than the returns from other crops in the region. By various accounts, tobacco was relatively more profitable crop in the region.²⁸

The above favourable situation was facilitated by a steady increase in the demand for FCV tobacco. On the domestic front, cigarette consumption had rapidly risen from 11 million pounds in 1931-32 to about 28 million pounds in 1937-38.²⁹ By the end of the thirties, there were cigarette factories located at Bombay, Sukkur, Tullender, Allahabad, Calcutta, Saharanpur, Monghyr and Bangalore, indeed widely spread across the country. The impact of this expansion in the cigarette industry on FCV tobacco is reflected in the fact that by 1937-38 nearly 50 per cent of the Indian leaf utilised for cigarette production was FCV tobacco and that the quantity of FCV tobacco used more than doubled between 1934-35 and 1937-38.³⁰ Through the forties and upto the mid-sixties the quantity of FCV cleared for home consumption nearly doubled as can be seen in Table 3. Cigarette production continued to rise though there was a slight deceleration in the rate of increase by the late fifties.³¹

On the export front, exports which had constituted only six per cent of production in 1932-33 rose to nine million kgs, constituting about 44 per cent of production in 1936-37; by the forties nearly 60 per cent of the production was exported. The dramatic increase in exports of FCV tobacco from the mid-forties is highlighted in Table 3. Of all exports of unmanufactured tobacco, the share of FCV tobacco increased from about 20 per cent in 1937-38 to about 85 per cent by the end of the forties.

We shall now turn to an examination of the impact of the expanded cultivation of this new crop on the agrarian structure.

III

Agrarian Structure and FCV Tobacco

An examination of the impact of FCV tobacco on the agrarian structure is rendered difficult by the regional localisation of the crop to a few taluqs³² and the lack of disaggregated data. The area under tobacco cultivation comes to around only 10 per cent of the cropped area when the district as a whole is considered and, therefore, the influences of tobacco crop tends to get submerged in the district level data. However, certain tentative conclusions are possible.

Cultivation of tobacco implied, more than

that of any other crop at that time, increased market interaction. Even the seedlings had to be purchased from nurseries, as Virginia tobacco seedlings had to be raised on special sandy soils. The various material inputs, such as the seedlings, fertilisers, pipes and other metal accessories required for the barns and the coal and firewood for the curing, that tobacco cultivators had to purchase from outside, came to around 40 per cent of the total cultivation costs.³³ In 1946-47 it was estimated that nearly two crore rupees annually were spent on the above material inputs alone by the tobacco cultivators in the district.

It implied a phenomenal expansion in the markets for agricultural inputs and credit. But for the seed, the company was only too ready to give away the market for the inputs to the "progressive cultivator" an euphemism used by it to characterise the rich peasant-trader-user whose emergence we have noted earlier. They were the target group that the company sought to ally with in the countryside. The "progressive farmers" were given preferential treatment even in matters of pricing and grading of tobacco.³⁴ They were to be the demonstrators of the new technology in the countryside. Thus for example the company had initially constructed barns on their own lands to process the tobacco. However, not before long, a company official could express the satisfaction: "We ... induced one or two of the progressive cultivators to erect a barn. The cost of roofing, furnaces, flues (iron pipes) and coal was provided by our company and we recovered the money when the cultivator sold us his produce."³⁵ The diffusion of technology was surprisingly

TABLE 3: DEMAND FOR FCV TOBACCO, 1945-46 to 1979-80

Year	('000 kgs)		
	Average Home Consumption	Average Exports	Average Total Demand of FCV Tobacco
	1	2	3
1946-50	11730	20982	32712
1951-55	10800	34660	NA
1956-60	NA	35525	NA
1961-65	24560	46020	70580
1966-70	51396	41140	92536
1971-75	43280	62060	105340
1976-80	44060	62600	106660

Sources: Compiled from "Report of Tobacco Expert Committee, 1956-57" (Faridabad: Government Press, 1957); "Indian Tobacco Statistics, 1939-59"; "Government of India, Directorate of Tobacco Development, "Indian Tobacco Statistics, 1975" (Madras: Government Press, 1976); and *Indian Tobacco Journal*, various issues.

rapid. As the process of flue-curing became more familiar, there was a dramatic increase in the number of barns built by cultivators. In a period of ten years from 1930 to 1940 the number of barns increased from 200 to 6,000.³⁶ Who controlled these barns? Concentration was a definite possibility given the capital requirement for the construction of a barn—in 1947 the construction of a single Katcha barn was approximately Rs 1,225.³⁷ Moreover, as we have seen, the company pursued a "progressive cultivators" strategy to encourage barn construction and cultivation of FCV tobacco. These cultivators in turn encouraged the spread of new cultivation but kept a stricter control on barn construction. In 1945 in Tadikonda, a leading tobacco village, out of 250 barns more than 100 barns were owned by about eight rich ryots.³⁸ Another 20 barns were owned by an outsider who bought green leaf from small cultivators through a broker in the village and sold the cured leaf to exporters; he was known as a "curer capitalist".

That this was not an isolated phenomenon and that these "curer capitalists" and rich ryots were powerful is brought out in the representations made to the Madras government regarding its legislation to tax tobacco. One provision of the legislation was that any

person purchasing and curing green leaf not grown by him had to be licensed. At a meeting of growers, brokers, commission agents and merchants of Guntur district, a resolution was passed that curers should be treated as growers because "small growers had to purchase green leaf for an efficient operation of the barn".³⁹ The Revenue Department, in its discussion of this resolution, remarked "It would be very wrong to give this concession to wealthy ryots of Guntur... We had these cases in mind when we drafted the Act..."⁴⁰ These "curer capitalists" came not only from the ranks of rich ryots but also from urban middle-class sections (including lawyers and others) who were seeking a quick profit.⁴¹ Some of these people built barns and leased them out each season. Thus, the spread of tobacco cultivation opened new avenues for accumulation for the rural elite.

The dependence of poorer peasants on the intermediation of the rich peasant also increased. By the middle of 1940s, it had become a common practice that a rich ryot would get credit of one or two lakh rupees from traders and disburse amounts to smaller peasants. However, it should be emphasised that the domination of the rich ryots in the credit market was far from complete.⁴² Other village moneylenders were always an alternative source of credit. With the coming of Independence, institutional credit channels grew in importance. Further, the middle and poor peasants could always bypass the rich ryot and contract directly with the ILTD or other traders.

Whatever sketchy information we have on land market indicates the acceleration in the alienation of lands of the poor peasants. Between 1931 and 1940 land sales increased by 1½ times from 30,849 sales in 1930 to 47,046 in 1940.⁴³ The average value per sale dropped from 658 to 433 in the period; in the context of rising land values after the depression this implies that smaller pieces of land were being sold. This is confirmed by Sayana's study in which he showed that average size of land sold was about one acre. Sayana also points to the increasing purchases by ryots and traders who had made big profits in the cultivation and trade of tobacco.⁴⁴

The more striking development since the introduction of FCV tobacco was the creation of an active lease market for land. Once again the data are sketchy; however, it is a phenomenon that was widely reported to us in the villages of tobacco region during our enquiries. It was commented by a contemporary observer that the profits were inducing the "monied middlemen in the villages and small towns to compete with the tiller of the soil and the grower of the tobacco crop in respect of rentals of land and barns".⁴⁵ In a study by Sayana, in one tobacco village of Guntur 24 per cent of the land cultivated was leased. The more interesting finding was that landless tenants constituted only 11.9 per cent of the total number of tenants and that the number of lessors was more than triple the number of tenants (945 lessors compared to 286 tenants).⁴⁶ Taken together these two facts imply that smaller landowners were leasing out land and that only those ryots with some land were leasing in land—or some form of commercial leasing was taking place, a phenomenon which became predominant in the fifties and sixties.

A study in the late fifties to which we have already referred had the same finding as Sayana's that the number of rent receivers (521) was greater than the number of tenant cultivators (384). Furthermore it was found that landholders owning upto 5 acres alone accounted for 34 per cent of the leased-out area (see Table 4). It is also evident that the larger cultivators account for significant proportion of the leased-in area (Table 4 column 2).

The economies of scale in cultivation of tobacco⁴⁷ and in its processing, should have led to an increase in the operated size of the landholdings. Optimal functioning of a barn necessitated around 10 acres of tobacco crop. This was the background of the activation of the land lease market. In fact it is our contention that in the tobacco region the rich cultivators preferred to lease-in land rather than purchase it for tobacco cultivation. The reason lies in the fact that tobacco with continuous cultivation is a soil exhausting crop, a characteristic that is going to assume an important role in our analysis in Section V.

TABLE 4: DISTRIBUTION OF LEASED-IN AND LEASED-OUT AREA

Size-Class ³ (acres)	(Percentage)	
	Leased-in Area	Leased-out Area
1	2	3
Upto 5 acres	10.72	34.09
5 - 10 acres	21.13	21.20
10 - 20 acres	38.91	21.64
20 and above	29.24	23.07
	100.00	100.00

Note: A size-class refers to operated area for column 2 and to owned area for column 3.

Source: B Saweswara Rao and K Nagabhushanam, "Report on Socio-economic Survey of the Nagarjunasagar Project Area", Part II, Census Tables (Hyderabad: Government Press, 1972).

TABLE 5: DISTRIBUTION OF HOUSEHOLDS BY LIVELIHOOD CLASSES AND FIRST SUBSIDIARY MEANS OF INCOME

Livelihood Class	Percentage to Total	Percentage of Household with First Subsidiary Means of Income as								Total
		None	OC	TC	AL	RR	Industry	Other		
1	2	3	4	5	6	7	8	9	10	
Owner cultivator (OC)	28.48	38.64	—	12.83	14.72	2.19	24.30	9.32	100.00	
Tenant cultivator (TC)	2.77	5.43	27.23	—	1.55	17.05	16.28	12.46	100.00	
Agricultural labour (AL)	34.62	28.74	24.64	3.17	—	5.77	32.77	4.91	100.00	
Rent receiver (RR)	5.91	24.00	22.54	1.82	13.82	—	17.82	20.00	100.00	
Industry	14.55	20.97	23.49	2.36	42.24	6.06	—	4.88	100.00	
Commerce	3.89	30.39	23.20	2.76	13.26	9.94	18.23	1.22	100.00	
Transport	8.85	25.48	24.27	1.70	17.23	15.05	15.53	0.74	100.00	
Other	0.92	20.93	25.58	2.33	30.23	2.33	16.20	2.40	100.00	
Total	100.00	29.21	17.88	5.48	13.95	5.29	22.01	6.18	100.00	

Source: Same as Table 4.

At the end of the fifties, in seven villages of the tobacco region, it was found that 35 per cent of the village households earned their income primarily from agricultural wage labour. Another 14 per cent had agricultural wage labour as secondary work (see Table 5). The data also reveal that the agricultural labour and the industrial households (i.e. of workers in tobacco factories) constituted 50 per cent of the rural households. To this if one also adds households deriving their secondary income from wage labour, the incidence of wage labour reaches a very high proportion. Evidently a significant proportion of the poorer peasants were taking to wage-labour. As can be seen from Table 5, 15 per cent of the owner cultivator households derived secondary income from agricultural labour and 25 per cent from work in tobacco factories.

Parallel to the process of concentration was the process of proletarianisation. Tobacco is not only capital intensive but also fairly labour intensive. The level of demand for labour in the case of tobacco cultivation is nearly two to three times higher than for other dry crops such as jowar and groundnut.⁴⁸ Peak labour demand is for the operations of transplanting, de-pesting and harvesting. Both transplanting and de-pesting are operations for which it is possible for the small and middle peasant to rely on family and/or exchange labour. De-pesting is specifically amenable to family labour as the requirement is uneven and spread over nearly one and a half months. On the other hand, the demand for harvesting and curing labour is on the basis of barn size rather than land size. If a small cultivator sold his leaf green then the person curing would hire the labour. The labour for these operations was gang labour; a gang (called *mootah*) of 25 to 30 people would harvest the leaves, string the leaves and unload the leaves from seven barns. The entire process for a barn would take one day, so the *mootah* would work continuously night and day for seven barns for roughly three months.

It is seen that all size classes of cultivators employed wage labour and wage labour constituted the predominant form of labour input for farm size classes above one acre.⁴⁹ During the peak season of agricultural

operations labourers had to be brought in from outside the district.

The introduction of FCV tobacco technology and the consequent reorganisation of the labour process in the agrarian and agro-processing sector marks a qualitatively new stage in the evolution of the agricultural labour class. The elements of attachedness rapidly disappeared and casual labour employment became the norm. Given the high demand for labour, the *mootah* labourers, especially the curing workers, were able to assert themselves. By the end of the forties there were numerous strikes by agricultural labourers in Guntur for better wages; and at times against the arbitrariness of *mootah* leaders. Tobacco villages of Guntur came to be known as "belt of red pallis".

Our discussion has focused on the accentuation of the stratification in the agrarian society with the advent of tobacco cultivation. The rich peasants increased their scale of operations leasing-in significant amount of land and controlling the curing barns. They also extended their activities to the vast input market created by the FCV tobacco. However, one important source of accumulation, the trade in tobacco, was closed to them due to the monopoly of the ILTD over the tobacco trade. Some of them were able to develop as brokers and commission agents for the rivals to the ILTD in the tobacco market like the BITC⁵⁰ and the other cigarette manufacturers in India. A few even managed to grow into small-scale exporters to the new UK markets. However, till the end of the thirties the ILTD continued to control 70-80 per cent of the cultivation of tobacco through contractual relationship with the cultivators. In the forties, though the area under contract system declined, war time conditions and regulations enabled the ILTD, in fact, to increase its monopoly of tobacco trade. The Indian traders realised that their role and function was entirely subsidiary to the ILTD—through their speculative activities they cleared the market of the excess stocks and bore the brunt of market fluctuations. The entry of the rich ryots into tobacco trade and the emergence of an unregulated market system is the theme of the next Section.

IV

Rich Ryots and Tobacco Trade: The Unregulated Marketing System

The demise of the contract system and the emergence of unregulated markets in tobacco was a response to changes both in trading as well as production conditions.

The overall demand for FCV tobacco in the first two decades of Independence reveals a stable upward trend. The exports which averaged 34 million kg during 1950-51 to 1954-55 increased to around 46 million kg during 1960-61 to 1964-65 (see Table 3). It accounted for 70 to 80 per cent of the total exports of all unmanufactured tobacco from India. During the subsequent five years, exports stagnated at around 41 million kg. Internally the growth of the Indian cigarette industry resulted in a four-fold increase between 1950-51 and 1969-70 in FCV tobacco cleared for home consumption.

Equally important for our analysis was the diversification of the export markets for Indian FCV tobacco (see Table 6). The share of UK declined from about 80 per cent during the pre-independence period to 35-40 per cent. Soviet Union, Japan, East European countries and China developed into important export markets of Indian FCV tobacco.

The diversification of the exports opened up new possibilities for the aspirants in the tobacco trade. The growth of many of the leading Indian exporters can be traced to the close links they were able to forge with the state trading concerns in USSR, Japan and China. In 1961 there were 21 companies solely exporting to the USSR. The total number of exporters increased to around 120 from around 16 in the 1930s.⁵¹ Most of them were of course only marginal exporters who made an occasional consignment to the foreign countries. The decline of the monopoly of the ILTD in the leaf market and the emergence of alternative marketing channels made it increasingly difficult for the company to supervise the contractual obligations.

At the same time, with the expansion of area under FCV tobacco and the diffusion of cultivation and curing practices, the ILTD found it unnecessary to operate the contract system in order to ensure a steady supply for its requirements. The area under virginia tobacco in India expanded rapidly in the post-independence period. From around 54,000 hectares in 1949-50 the area increased to more than 1,50,000 hectares in 1969-70. The Guntur tobacco region continued to be the most important centre—accounting for 60 to 70 per cent of the total area under virginia. As can be seen from Table 7 the area under virginia tobacco in Guntur increased by one and half times from 50,000 hectares in the mid-fifties to more than

TABLE 6: DISTRIBUTION OF EXPORTS OF FCV TOBACCO BY DESTINATION

Country	(percentage)			
	Average 1954-55 to 1958-59	Average 1960-61 to 1964-65	Average 1965-66 to 1969-70	Average 1970-71 to 1974-75
UK	45.25	35.61	43.73	34.19
USSR	3.60	32.09	23.01	29.88
Japan	2.52	2.40	5.52	6.56
West European countries	11.47	19.40	4.92	5.24
East European countries	—	8.72	7.07	2.93
Others	37.16*	4.18	15.75	21.20

Note: * China accounts for 22.27 per cent of the exports during this period.

Source: "Indian Tobacco Statistics, 1975".

91,000 hectares at the end of the sixties. The growth of FCV tobacco was mostly at the expense of other commercial crops, especially *desi* tobacco, so that the former's share in the total area under non-food crops increased from 17 to 33 per cent between 1955 and 1970. Tobacco continued to be relatively the most profitable of the commercial crops in the district.⁵²

The new exporters made their purchases either directly or through intermediaries at the village level and thus developed an unregulated market for tobacco leaf. The ILTD responded by withdrawing the contract package scheme they were operating. While formally ending the contract system, ILTD initiated what was called Master Farmers Scheme to ensure the supply of the desired quality of tobacco through field demonstrations. The "Master Farmers" were supplied with quality inputs, advice and supervision by ILTD staff in implementing the improved techniques in farms "with the built-in safety clause of the company assuming full responsibility for the results of the implementation of such an advice"⁵³ and guaranteed prices for the graded crop. However, that the scheme was not crucial to the company's buying strategy can be inferred from the fact that the area under the scheme declined from 20,000 acres in 1955 to 200 acres in 1964.⁵⁴

The new market system that evolved was known as the depot system named after the depots—the buying points opened by the traders in the villages during the purchase season. All the important trading firms have at least a few permanent buying points known as branches with adequate facilities for grading and at times processing of FCV tobacco.⁵⁵ During the harvest season temporary depots, that is thatched structures with long halls for inspecting lots of tobacco, are opened—one for every 20 to 30 villages. Besides 14 permanent depots, ILTD opens 50 to 70 temporary depots. During the off-season, the permanent depot staff function as extension officers establishing links with cultivators.

The smaller companies also open their buying platforms in different vantage areas. They engage professional "buyers" on salary or contract basis to make the purchases during the season. Some of the companies also send touring representatives to the villages to make barn level purchases.

There is no official date for the opening of the market. Normally the crop is ready for sale by the end of January. By custom, the ILTD or one of the larger companies, will commence buying and set the initial market rates. This would mark the beginning of a hectic buying season of less than two months in which more than 100 million kg of FCV tobacco changes hands.

The farmers bring the tobacco to the depots graded into six katcha grades, a crude grading system popularised by the ILTD in the forties. Having no relation to the final export grades the katcha grading, based on no scientific principle, is a source of abuse.⁵⁶ If the farmer agrees to the price offered a voucher for the sale amount is given. The final settlement is made in course of time, often only during the next marketing season. Given the perishable nature of the crop, the farmer has little option but to accept the offer made by the buyers at the depots.

Over time there was a proliferation of the intermediaries under the depot system as the cultivation of tobacco expanded over a larger geographical area. Some of these intermediaries were also small exporters who enter into and exit from the export market year after year. However, most of them were pure dealers who operated at the village level making their purchases at the platform or at the barn site. Some of them worked solely for certain firms and were virtually the brokers or commission agents of these firms. Most of them acted independently. They purchased tobacco ungraded or katcha graded from the growers. The dealers fine graded the tobacco before selling to the exporter and/or manufacturer.

Some of the dealers not only fine graded the leaf but had it further processed, packed

and baled ready for export before supplying the leaf to the exporter. This group is generally known by the title packers, balers, servicing firms, etc. Some of the exporters who made direct purchases would also subcontract the processing work to these packers/balers. There were around 24 authorised packers in 1964. There were small number of pure redrying firms that rented out their facilities to small exporters or packers/balers.

The established traders came to accentuate these smaller intermediaries as an important link in the market network performing two important functions. Firstly they provided a cushion against the fluctuations in market demand and supply. The intermediaries mostly bore the brunt of market fluctuations. With their close contacts with the peasants, drawn as they were from the same class, they could intermediate better in time of distress.

Secondly, these establishments enabled the large exporters to economise on capital, to lessen managerial problems of supervising a large workforce and reduce the cost of processing. As the number of exporters increased the competitive compulsion to reduce the cost mounted. Purchasing through the dealers, sub-contracting the processing and partial mechanisation of the processing sector were the response of the leading exporters to the challenge from the newcomers in the export business. It was estimated that nearly 30 per cent of the firm demand of the ILTD, GTC, and NTC, the top three firms, was purchased indirectly through intermediaries.⁵⁷

With the proliferation of the intermediaries, the abuses of the depot system, such as the delayed payment, the practice of down grading, etc. mounted. All attempts of the authorities to regulate the marketing ended in failure. The most important of these was the fiasco of the attempt to introduce auction marketing from 1951 onwards. It has been well documented how the manipulations of the ILTD and the other leading firms were responsible for the failure of the scheme.⁵⁸

It is understandable why neither the ILTD nor the other exporters were keen on the auction system. With the rapid expansion of area under cultivation, a buyers' market situation existed in tobacco. It was cheap and more convenient for the traders to work through local level intermediaries or village depots. The ILTD, with its Master Farmers Scheme, its majority share in the market and control over the export of higher grades of tobacco, could act as the price leader. There saw no reason for the need for any government regulated auctioning system.

The Guntur Tobacco Market Committee as well as the Ryots Association also demanded the withdrawal of the auction scheme that had proved to be a failure. Interestingly, public auction system in

TABLE 7: AREA UNDER VIRGINIA TOBACCO, 1955-56 TO 1978-80

Year	(hectares)		
	Average All-India Area under Virginia Tobacco	Average Guntur Area under Virginia Tobacco	Percentage of Guntur Area in All-India Area
1	2	3	4
1956-1960	77880	50224	64.5
1961-1965	105140	69342	66.0
1966-1970	138480	91166	65.8
1971-1975 ^a	157720	102678	65.1
1976-1980	154380	72837	47.2

Note: a Guntur district was bifurcated in 1970 into Guntur and Prakasam districts. A part of the tobacco growing area was taken into Prakasam. To maintain continuity we have added the area under virginia tobacco in the two districts.

Source: Compiled from "Indian Tobacco Statistics 1975" and "Season and Crop Reports of Andhra Pradesh", various years.

tobacco marketing had been a demand sed by them in the forties. In the changed circumstances of the post-Independence iod the upper stratum of the peasantry d lost all enthusiasm for the auctioning tem. The depot system provided them h the possibility of acting as brokers or pot agents themselves. They turned the asant's dissatisfaction with the inefficiency the auction system against the system lf rather than the trade interests who were sttling it consciously; so the demand of : growers to suspend the scheme.

The rich cultivators filled the ranks of the al dealers and the mushrooming servicg firms. In fact the balers/packers often scrible themselves as growers "with zeal to ll their tobacco at remunerative prices" or rower(s) with wider operations and procesing".⁶⁰ With the establishment of grading quiring nothing more than a long thatched e they entered and existed according to e winds of trade. Many of the factories in rchoor, Tangutur and Throvagunta were stablished by large landowners. For exple, the ten firms in Tangutur in 1958 were stablished by the ten leading cultivating milies of the town who each owned more

than 100 acres.⁶¹ The geographical spread of the tobacco establishments shows that the lure of trade must have attracted the rich ryots all over the tobacco belt.⁶²

Our field enquiries revealed that the majority of the new crop of exporters rose from the ranks of the richest stratum of tobacco cultivators. Of the ten largest exporting firms apart from the traditional ILTD, NTC and GTC, five were owned by erstwhile large cultivators.⁶³ The owners of the other five firms, though Komatis, were also large tobacco cultivators. Navabharat Enterprises, owned by a member of Kammas, has now expanded into cigarette manufacturing with Russian collaboration. Further, with the decline of the contract system, the share of the ILTD's supply of tobacco inputs in the total input requirement of the tobacco region had declined considerably.

The lure of profits must have been the chief attraction of the cultivators into trade. Unfortunately, we do not have the trade margins for the various tiers of intermediaries in the input and output markets of tobacco. What fragmentary data we have pertain to the export margins. Various official reports have estimated the exporters'

margin (ie, profit + sale value) at 2.4 per cent (1958), 6.7 per cent (1969) and 7.4 per cent (1980).⁶⁴ According to Annual Survey of Industries, the rate of profit on total capital employed was as high as 25 per cent and trading margin above 50 per cent for tobacco processing factories. At the same time, the decline in profits in cultivation is a frequent theme in the literature.⁶⁵ We shall take up this aspect in more detail in the next Section.

It must be noted that increasing the scale of cultivation became less attractive due to labour supply problems. There was hardly any technological change in tobacco cultivation and processing, except the introduction of the tractor, till very recently. At the same time, with increasing local availability of barn materials it became common for the smaller farmers to erect and operate joint barns. With this organisational innovation the smaller farms became more viable.

It is seen that there are hardly any large-scale cultivators operating more than 20 hectares at present. Such large-scale farmers do not account for a significant proportion of the tobacco cropped area. More than 50 per cent of the area is accounted by farmers operating two to five hectares. However it must be cautioned that the data presented in Table 8 refer to only the tobacco holdings and not to the total operated area of the cultivators.

TABLE 8: DISTRIBUTION OF TOBACCO HOLDINGS (1977-78)

Size of Tobacco Holding (hectares)	(percentage)			
	Guntur		Prakasam	
	Number	Area	Number	Area
1				
0 - 1	25.59	7.34	17.46	4.58
1 - 2	29.99	17.95	24.91	13.42
2 - 5	34.72	42.69	46.20	56.92
5 - 10	8.08	19.55	10.13	19.21
0 -	1.12	5.11	1.27	5.58
0 +	0.50	6.76	0.03	2.39
Total	100 (4815)	100 (12847 ha)	100 (31554)	100 (86539 ha)

Source: Tobacco Board, Guntur.

TABLE 9: INDEX NUMBERS OF INPUTS, YIELD AND PRICES IN TOBACCO CULTIVATION
(base 1970-71 = 100)

Year	Coal	Fertiliser	Pesticides	Yield of Virginia Tobacco	Wages of Agricultural Workers		Maximum Price of Katcha IV
					Male	Female	
1	2	3	4	5	6	7	8
970-71	100	100		100	100	100	100
971-72	102	101		130	102	114	98
972-73	111	106		104			109
973-74	122	114		117			125
974-75	144	203	210.5	130	130	124	156
975-76	184	215	232.2	116	147	128	178
976-77	198	187	232.6	86			169
977-78	199	177	234.2	103			166
978-79	212	175	257.2	122			176
979-80	300	167	318.8	111			200
980-81	348	243	346.9	133	251	217	210
981-82	432	274	380.2	136			245

Note: Index is average of weeks.

Source: Indian Economic Survey, various years, "Season and Crop Reports", various years.

V Crisis in Tobacco Economy and Introduction of Auctioning System

In the seventies, the overall demand for Indian FCV tobacco stagnated at around 105,000 tonnes (see Table 9). The period was also characterised by a high degree of fluctuations in yearly exports. In the past it had been the expansion of demand by the Indian cigarette industry that had neutralised the fluctuations in exports. But as can be seen from Table 3, the tobacco cleared for home consumption also stagnated in the seventies. The deceleration of the Indian cigarette industry is due to increased incidence of excise duties.⁶⁶ Further, various leaf saving techniques are being introduced by the industry.⁶⁷

Despite the stagnation in the western cigarette industry,⁶⁸ international trade in FCV tobacco has continued to expand at the expense of other varieties of tobacco leaf. However, India's share in the world trade of FCV tobacco has stagnated at 12 per cent between 1960 and 1980.⁶⁹ India failed to take advantage of the exit of Rhodesia, the second largest exporter next to the US, from the international tobacco market in the early sixties, as well as the sharp decline in US export in the seventies. It is countries like Brazil, Malawi, South Korea and Thailand who made significant advances. Brazil, who

entered the international trade at the end of the sixties has today overtaken India in the exports of FCV tobacco (in 1980-81 Brazil's share in world FCV exports was 16 per cent).

The relative prices do not explain the export performance of Indian FCV tobacco. An examination of the average value of flue-cured leaf imported into UK has shown that Indian leaf is not only relatively cheaper than its competitors' price but also the rate of increase has not been disproportionately higher.⁷⁰ We hold that the stagnation in Indian exports can be explained only with reference to the oligopolistic structure of the world cigarette industry and the control of the world leaf market by a small number of tobacco conglomerates.

The top seven tobacco conglomerates directly control over 60 per cent of cigarette production outside the centrally planned economies.⁷¹ In addition, it has been estimated that about 90 per cent of the international leaf trade is controlled by the transnational corporations. These transnational corporations regulate and coordinate purchases through global strategies for leaf procurement. They mould the production in different countries to suit their requirements either through direct intervention as in India or through various market mechanisms. Thus the fluctuations in the performance of any one country would have to be located in the context of the global policies of these conglomerates. Therefore, a more fruitful line of enquiry would be to link it with the international operations of BAT. The fortunes of Indian tobacco were determined by the position it was allocated in the blending hierarchy of BAT as part of its global strategy for leaf procurement. It was this same company that was responsible for the choice of soils as well as quality of tobacco grown in India as well as Rhodesia, India's chief competitor in the UK market before the mid-sixties. Whereas the Rhodesian flue-cured leaf was considered as a feasible substitute for American leaf, the Indian leaf grown on black cotton soils was considered only as a good blender. Even though the price of the Rhodesian leaf was more than 50 per cent above the price of Indian leaf and the relative difference in the prices continued to widen, the Rhodesian exports to UK increased at a faster rate than India's exports did upto the mid-sixties.⁷²

In the background of the embargo on Rhodesian tobacco, BAT began to develop new sources in Latin America and Africa. The efforts gathered momentum after the dilution of shares in ILTD with the implementation of FERA regulations. According to a report in *World Tobacco*, an important factor in explaining the interest of international tobacco conglomerates in the Brazilian tobacco was "the political stability of the country in a world where buyers feel more uneasiness about continuity of supply from a number of tobacco exporting coun-

tries for many years past".⁷³ BAT which today controls 80 per cent of the Brazilian cigarette industry has been largely responsible for the Brazilian success. Interestingly, BAT's intervention in Brazil is akin to the contract system prevalent in India in the pre-Independence period.

It is now accepted that leaf comparable to Brazilian varieties can be grown in the light soil areas of Andhra.⁷⁴ But it was on the heavy black cotton soil of Guntur that the choice of BAT fell. We argue that, given the nature of the soil and the desired quality of the leaf there are severe limitations to raising the yield of FCV tobacco through controlled variation of inputs such as irrigation or fertiliser.⁷⁵ Similarly many of the cultivation practices promoted by ILTD have been detrimental to the increase in the yield.⁷⁶ Not only has the Indian yield stagnated but it is one of the lowest in the world.⁷⁷ At the same time continued cultivation of FCV tobacco over the last 50 years with minimal crop rotation has exhausted the soil and crop pests have become endemic. The problems of soil exhaustion have been compounded by the indiscriminate felling of trees as fuel for curing purposes. As a result problems of salinity in the black soil have increased since the mid-sixties. The ecological degradation has tended to push up the costs.

The rise in the cost of cultivation and the stagnant yield on the one hand and the inadequate rise in price on the other has resulted in a decline of the profitability of the crop. As can be seen from Table 9, the prices of coal, fertiliser and pesticides, accounting for more than a quarter of the total cultivation costs, have increased three to four-fold during 1970-71 and 1981-82. The labour costs have also more than doubled during the period. At the same time the prices received by the farmers increased by two and a half times and the yield has not risen significantly. The cost of production of FCV tobacco (excluding interest charges, rent payments and transportation charges) has been officially estimated to have increased from Rs 4,390 per hectare in 1977-78 to Rs 7,472 per hectare in 1981-82.⁷⁸

The problems of farmers have been aggravated by the abuses of the unregulated market system as well as by the periodic gluts in the market. A significant increase in the production in any year would result in accumulation of stocks, distress sales and plummeting of growers' prices. 1964-65 and 1968-69 were two such years of excess supply during the sixties. In the next decade the years 1972-73, 1974-75, 1978-79 and 1979-80 were again years of over-production. The packers and dealers and other petty intermediaries were often wiped out by the burden-of-accumulated stocks. Rare to a system of delayed payments it also meant a loss for the farmer. In essence the farmers were not only financing the tobacco trade but also bearing the risk of the trade. Declin-

ing profitability of tobacco has prompted many of the farmers to shift to more profitable crops like cotton. As can be seen in Table 1 the area under virginia tobacco in Guntur has declined by about 30 per cent in the latter half of the seventies. A significant part of this cropped area was beside the traditional black cotton soil tobacco belt. Thus for example in 1982-83 out of 88,000 hectares under virginia tobacco in Guntur and Prakasam districts, 36,000 hectares were in the new light soil areas. Cotton is developing as a major crop in the black soil region.⁷⁹

Another important response of the farming community to the crisis in the tobacco economy has been agitations to redress their grievances. In the latter half of the sixties, the farmers generally joined hands with traders to demand state intervention to clear the excess stocks. Later the traders became the target of farm agitations. By the end of the seventies, it became customary for the farmers' organisations to demand minimum prices for the crop at the beginning of the season. The agitations for the minimum prices often involved violent disruptions of the tobacco markets and confrontations with the traders. In 1983 in one such incident three persons were killed in police firing.

The recurrent agitations by the tobacco farmers and the attendant law and order problems made a comprehensive state intervention, in order to resolve the crisis in the tobacco economy, imperative. The introduction of auctioning became an important element of the package schemes to save the tobacco economy from the present morass. This opinion has found support from an unexpected quarter, both from ILTD and the leading exporters, who in the fifties scuttled an attempt to introduce auctioning. It is not difficult to understand this change in attitude.

It is expected that the introduction of auctioning would enable the exporters to significantly reduce the marketing cost, shift the labour intensive export quality grading to the farms and reduce the stock holding and establishment charges.⁸⁰ Auctioning would also strengthen the hold of the leading exporters in market by eliminating the smaller rivals. In addition the trading capital has been wary of adverse political fall-out with slogans of nationalisation of export trade being raised by farmers and political parties. The auction system was introduced in the Guntur region in the 1985 season. It is too early to say to what extent the expectations raised by the new system will be fulfilled.

To conclude, this study has attempted to explicitly consider internal and external factors that have impinged upon the production and marketing of FCV tobacco in Guntur. The nature of the exchange relation between tobacco cultivation and the tobacco

trading firm is not something which is unilaterally determined by the latter. It has been conceived and shown to be the resultant of the interaction between the two.

Notes

- 1 See Cheng Hang Seng, "Industrial Capital and the Chinese Peasant: A Study of the Livelihood of Chinese Tobacco Cultivators", (Shanghai: Kelley and Walsh Ltd, 1940).
- 2 For example relative price of cotton to jowar moved in favour of cotton by about 60 per cent (see Table A). Foodgrains were available from the neighbouring districts of Krishna and Godavari and also from the delta taluks of Guntur district itself. See Satyanarayana Adapa, "Agrarian Relations under the Impact of Colonial Rule in Madras Presidency, 1900-1940: A Case Study of the Andhra Districts", Ph D thesis, Precht Karl Universitoot in Heidelberg, 1983, p 22.
- 3 This figure is calculated on the assumption that all exports from the district were rice only and did not include paddy.
- 4 Between the first and third decade of the 20th century the number of rice mills increased from 17 to 92 and of cotton ginning and pressing factories from 17 to 38. There were also 37 groundnut decorticating mills and 38 oil mills in 1930-31. See "Scheme Report of Resettlement of Guntur District", G O No 1390 (Confidential) Revenue Department, July 29, 1936, p 32.
- 5 For the expansion of trade see "Scheme Report of Resettlement of Guntur District", Board of Revenue (Sett, LR and Agri) Proceedings No 463, December 17, 1903

- and "Scheme Report of Resettlement of Guntur District", 1936.
- 6 See the study by N G Ranga, "Some Facts Concerning the Development of the Tobacco Trade of Madras", *Indian Journal of Economics*, Vol III (1926-27), p 34.
 - 7 See Evidence of M K Hanumantha Rao in "Report of the Indian Industrial Commission", Minutes of Evidence, 1916-17 (Calcutta: Government Press, 1918), p 78 and N G Ranga, "Economic Organisation of Indian Villages", Vol II (Bombay: Taraporevala Sons and Co, 1921), p 104.
 - 8 W R S Sathyanathan, "Report of Agricultural Indebtedness" (Madras: Government Press, 1935), p 38.
 - 9 See Adapa, *op cit*, p 64.
 - 10 This was an observation by the Collector of Guntur District in "Report on the Settlement of Land Revenue in the Districts of Madras Presidency", Board of Revenue Proceedings No 72, dated March 5, 1907, p 15.
 - 11 It was observed that mostly landholders who owned a pair of bullocks leased-in land. See "Report of the Economic Enquiry Committee", Vol I-III, (Madras: Government Press, 1931) and Ranga, "Economic Organisation of Indian Villages", Vol II, pp 53-55. Also Census data indicate that Guntur had a significantly lower incidence of cultivating tenants who primarily would consist of landless tenants.
 - 12 "Census of Wages in 1911", Board of Revenue (LR, Sett and Agri) Proceedings No 3037, August 26, 1912.
 - 13 United States Department of Agriculture (Foreign Agricultural Circular) "Tobacco Production and Consumption in India", December, 1939, p 34.
 - 14 Out of a utilisation of 1,75,00,000 pounds of leaf, Indian leaf was 1,17,00,000 pounds.

- 16 *Ibid*, p 34.
- 15 "Report on the Progress of Agriculture in India, 1920-21" (Calcutta Government Press, 1922), p 21.
- 16 "Tobacco Production and Consumption in India", p 16.
- 17 Ranga, "Some Facts Concerning Development of Tobacco Trade in Madras", p 36.
- 18 *Ibid*, p 36.
- 19 W E Nicholson, "A Short History of the Indian Leaf Tobacco Development Company Ltd", unpublished, 1955, in the files of LTC Ltd, p 6.
- 20 *Ibid*, p 6.
- 21 "Report on the Marketing of Tobacco in India and Burma" (Simla: Government Press, 1931), p 202.
- 22 *Ibid*, p 203.
- 23 Guntur Tobacco Market Committee (GTMC), *Bulletin*, (December, 1942), p 1.
- 24 Evidence of tobacco ryot/trader. "Report of Madras Provincial Banking Enquiry Committee", Vol II (Madras: Government Press, 1930), p 229.
- 25 For price of tobacco, as no proper price series is available, we used the unit export value of all unmanufactured tobacco. The trend in the price of FCV tobacco would have been reflected in this unit export value as it came to dominate unmanufactured tobacco exports.
- 26 See Table B for price indices of jowar, cotton, tobacco (desi and flue-cured) during depression period.
- 27 See evidences of witnesses from various Andhra districts in the "Report of the MPBEC".
- 28 One study has estimated that profits from virginia tobacco were higher than for any other crop. See K Sankarajah "Cultivation and Marketing of Virginia Tobacco", *Madras Agricultural Journal*, Vol XXIX, (October 1941), pp 393-399. The returns were estimated as Rs 40 per acre in 1940 and Rs 122 per acre in 1941.
- 29 "Tobacco Production and Consumption", p 34.
- 30 In 1934-35 45,00,000 pounds of Indian flue-cured leaf was utilised and by 1937-38 this figure increased to 98,00,000 pounds. *Ibid*, p 35.
- 31 Production of cigarettes:

TABLE A: RELATIVE PRICE OF COTTON AND JOWAR

	1897-1900	1901-1905	1906-1910	1911-1915	1916-1920
Price of cotton	14.02	15.27	20.47	21.90	41.47
Price of jowar	2.77	2.11	2.98	3.05	5.11
Relative price (Pc/Pj)	5.06	7.24	6.87	7.18	8.11

Note: * Prices of both cotton and jowar are for the Guntur market.

Source: Calculated from *Prices and Wages in India* (Calcutta: Government Press, 1915 and 1923).

TABLE B

(1929-30 = 100)

Year	Jowar	Cotton	Desi Tobacco	Flue-cured Virginia
1	2	3	4	5
1924-25	119	171*	-	-
1929-30	100	100	100	100
1930-31	79	71	97	90
1931-32	57	53	105	109
1932-33	46	55	100	112
1933-34	59	102	73	98
1934-35	63	59	100	105
1935-36	66	70	84	98
1936-37	64	66	84	132
1937-38	62	66	-	139

Note: * Cotton prices are annual averages and we have placed the 1929 annual average figure in the crop year 1929-30.

Source: "Statistical Atlas of Guntur District, 1950-51" (Hyderabad: Government Press, 1953); *Prices and Wages in India*, various issues and "Tobacco Production and Consumption in India".

Period	Quantity (million pieces)	Index
1948-49 to		
1951-52	20,000	100
1952-53	18,329	92
1953-54	19,577	98
1954-55	21,190	106
Average	19,099	99
1955-56	23,779	119
1956-57	27,324	136
1957-58	28,865	144

Source: Government of India, Agricultural Marketing Adviser, "Report on the Marketing of Tobacco in India" (Nagpur: Government Press, 1960).

- 32 The three taluks of Guntur, Ongole and Narsaropet have on the average accounted for more than 70 per cent of the area under

FCV tobacco in the district.

- 33 This is based on information supplied by the Indian Tobacco Association and quoted in NCAER, "Export Prospects of Tobacco", (New Delhi: NCAER, 1967).
 34 "Report on Marketing of Tobacco", p 303.
 35 Nicholson, "A Short History", p. 6.
 36 Number of Barns in Guntur District:

Year	Number	Year	Number
1932	251	1940	6500
1933	692	1941	7737
1934	1375	1942	9332
1935	1599	1943	8798
1936	1867	1944	8574
1937	2345	1945	8743
1938	5096	1946	8915
1939	6447	1947	996

Source: D Almstead, "Report of Court of Enquiry into Labour Conditions in Beedi, Cigar, Snuff, Tobacco Curing and Tanning Industries" (Madras Government Press, 1949), p 96.

- 37 Cost of Barn Construction:

(Rupees)				
Size	Single Katcha	Furnace Pucca	Double Katcha	Furnace Pucca
16' x 16'	1225	1850	-	-
18' x 16'	1300	2000	-	-
20' x 16'	1500	2150	-	-
20' x 20'	-	-	2000	2000

Source: Almstead, "Report of Court of Enquiry", p 94.

- 38 From oral interview of two rich ryots and traders in Tadikonda in April 1983.
 39 GO No 3114, Revenue Department, November 22, 1934, p 3.
 40 *Ibid*, p 35.
 41 See T V S Rao, "Marketing of Tobacco in Guntur District", Ph D thesis, University of Poona, 1965, pp 311-312.
 42 This is very evident from Table C.
 43 From Government of Madras, "Administration Report of the Registration Department".
 44 Sayana found that nearly 35 per cent of the total sales in the period 1930 to 1945 in a tobacco village were from small landowners to big ryots. V V Sayana, "The Land System in Madras Province", Ph D thesis, University of Bombay, 1947, p 191.
 45 "Report of the Minimum Prices Sub Committee of the Guntur Tobacco Market Committee", 1947, in files of Indian Tobacco Association, p 2.
 46 V V Sayana, "The Agrarian Problems of Madras Province", (Madras: The Business Week Press, 1949), p 91.
 47 A study by J V L Prasad has shown that there are significant economies in curing. The curing cost was Rs 323 for those operating below 5 acres, Rs 223 for those operating 5-10 acres and Rs 190 for those operating above 10 acres. See J V L Prasad, "A Regional Study in Production and

- Marketing of FCV Tobacco in Andhra Pradesh", Ph D thesis, Agricultural College and Research Institute, Coimbatore, 1970.
 48 Based on the average estimate for south zone in 1952-53 during the sixth and seventh rounds. See NSS, "Some Aspects of Costs of Cultivation", Report No 32 in three parts, 5th to 7th rounds, 1951-53.
 49 In a survey of seven tobacco villages it was found that for even those operating between land three acres hired labour accounted for about 65 per cent of the total labour requirement. The extent of hired labour increased with operated area. See B Sarveswara Rao and K Nagabhushanam, "Report of the Socio-Economic Survey", Part II, Census tables.
 50 BITC, British Indian Tobacco Company, was established as the purchase wing for cigarette manufacturers in UK who were outside the combine of Imperial Tobacco Company of Great Britain and Ireland.
 51 This number is based on the listings in Indian Central Tobacco Committee, "Indian Tobacco: Directory of Exporters", (Madras: Government Press, 1960).
 52 The survey by Sarveswara Rao and Nagabhushanam found that the profits from virginia tobacco cultivation was Rs 155 per acre whereas the return from country tobacco was Rs 66 per acre, chillies Rs 90 per acre and groundnut had negative return. See Sarveswara Rao and Nagabhushanam, "Report on the Socio-Economic Survey",

- Part I, Chapter Three. The relative profitability of virginia tobacco is also confirmed by the Guntur Market Committee. See their *Administration Reports*, various years.
 53 ITC Ltd, ILTD Division, "Contribution to Indian Cigarette Tobacco Industry", (Guntur: ITC Ltd, 1980), p 14.
 54 T V S Rao, "Marketing of Tobacco in Guntur District", p 234.
 55 See ITA, "Amendment and Incorporations proposed to Clauses in Central Excise Bill 1969", *Files on Excise*, ITA, Guntur. They included proposals to allow the storing and grading of tobacco in thatched sheds and avoid the putting up of pucca structures at all the buying points. This was to give greater flexibility to the trader to open purchase platforms in a wider area with less permanent investment.
 56 The final export grades or Agmark grades are based on certain accepted international characteristics. Minimum export prices are given for these grades. Most cultivators are unaware of the final Agmark composition of their tobacco and therefore have no basis to dispute the price offered by the trader. Recently the Tobacco Board has introduced an 8 grade schedule which is supposed to approximate the Agmark grades. From 1980-81 indicative prices are being issued for these grades at the beginning of every season by the Tobacco Board.
 57 This estimate is based on an estimate of the final demand of these companies and the

TABLE C: DISTRIBUTION OF CREDIT ACCORDING TO SOURCE

Source	Number of Farms in Debt	Average Borrowing Per Farm (Rupees)	Percentage Distribution of Total Farms in Debt according to Source of Borrowing
1	2	3	4
Co-operative societies, etc.	18	524	14.1
Village moneylenders	48	813.44	37.5
Agricultural moneylenders	62	920.08	48.4
Total	128	-	100.00

Source: B Sarveswara Rao and K Nagabhushanam, "Report on Socio-Economic Survey of the Nagarjuna Sagar Project Area" (Hyderabad: Government Press, 1972), Part III, Survey tables.

TABLE D

(new pence/kg exclusive of duty)

Year	USA	India	Malawi	Brazil	S Korea	Thailand
1	2	3	4	5	6	7
1970	110	82	77	66	56	64
1971	110	64	86	53	68	66
1972	115	62	84	62	75	60
1973	130	73	97	71	73	75
1974	152	88	121	86	88	99
1975	181	104	132	112	124	119
1976	232	118	170	114	167	136
1977	250	141	186	152	181	140
1978	218	132	188	154	163	114

Sources: Compiled from P Purushotham, "Market Behaviour of Cigarette Tobacco" (Coimbatore: Rainbow Publications, 1981), p 200 and W G Walunj, N Rajendran and M Seethamma, "Tobacco Situation and Outlook in the United Kingdom", *Indian Tobacco Journal*, Vol XI (January-March, 1980), p 10.

The not-so-silent persuaders

Advertising works. When you see star MP Vinod Khanna endorsing a gutka brand, you might be tempted to try it. Cigarette ads unabashedly tell you they are selling a lifestyle. Should India follow the West's stringent control over tobacco advertising?

Malathy Iyer checks out

JUST study the contrast," says Viji Venkatesh of the Cancer Patients' Aids Association, handing out two foreign magazines. On the backpage of the Asian edition of *Newsweek* is the macho Marlboro man ready with his perfect lasso. However, the same advertisement for the American market has a prominent rectangular box, a white blotch that detracts from the ad stylist's visual line. This is the warning issued by the US Surgeon General, and it states in categorical terms that 'smoking can cause cancer'. In Ireland, the warning is totally unqualified: smoking causes cancer.

"Why can't we have a legislation that forces our tobacco industry to carry prominent warnings instead of the vague, micro-

lic place?" In the US, smoking is banned in all public places, including restaurants, offices and airplanes. The European Economic Community has banned chewing tobacco in all its 15 member states. Last week it ratified a bill seeking to ban advertising as well as sponsorship of events by the tobacco industry over a time-frame of 10 years. Belgium, China, France, Italy, Malaysia, Portugal and Singapore have totally banned tobacco advertisements.

"If advertising wasn't so powerful an influence, why would anyone advertise?" asks FDA commissioner Anil Lakina, who is in the forefront of the battle to ban gutka and other brands of smokeless tobacco. "Once you take away these silent persuaders, awareness of the risks will filter

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to see that youngsters and non-smokers are not attracted to the habit by aggressive advertising," says ASCI vice-president Bharat Patel.

According to Madison Advertising's Sam Balcaro, also a member of ASCI, "When an agency is asked to work on an ad campaign, we give it our best shot. However, now that we have a set of guidelines, we know where to draw the line."

But not everyone sees the code as the ultimate answer. "A voluntary code will never work; the ASCI is a self-regulatory body with no powers to punish an offender," points out Viji Venkatesh. "I am against advertisements which promote products which are carcinogenic," says Lakina.

While Lakina believes that only a ban on smokeless tobacco will work, Venkatesh believes that public awareness and self-discipline by the tobacco industry and role models will help. "Akshay Kumar recently admitted that he had agreed to do the cigarette ad years ago only because he needed the money. He says he won't do it now. Similarly, Sameer Malhotra, who appears in the Esteem car ad and works with the CPAA, turned down a Rs 2-lakh offer by a tobacco company," she says.

It is not as if no city or municipality in India has attempted to ban cigarettes, gutka and other smokeless tobacco products. Delhi has banned tobacco advertisements in public places. Thus, unlike Mumbai's Marine Drive which has huge hoardings of Benson & Hedges and 555 cigarettes, Delhi has none. The Kochi Municipal Corporation banned the sale of pan masala sachets five months ago. Unfortunately, the banned items are available in many shops. As for the effectiveness of the ban in Delhi, a story goes that when the tobacco giant ITC found that it could not sponsor a badminton tournament in Delhi, the event was transferred to Nagpur — to its university grounds!

The chewing tobacco industry: a fact sheet

- Annual turnover of the chewing tobacco industry — Rs 1,500 crore (up to May 1997)
- Number of tobacco farmers in India — 6 million
- Number of retailers and panwallas — 1.5 million
- Smokeless tobacco enjoys a 28 per cent market-share in the Indian tobacco industry
- There are 70 manufacturers of gutka in India, with just 10 manufacturers earning 60 per cent of the market

scopic 'Smoking is injurious to health?' demands Viji. The truth in the land of Red & White Bravery Awards and Gold Flake Tennis Open, is that there are no substantial laws to govern the multi-crore tobacco industry. Here, heavyweights such as Ashok Kumar, Shammii Kapoor, Zeenat Aman, MP Vinod Khanna and Govinda lend their star status to various brands of smokeless tobacco — that is gutka and the like. Social commitment is sadly as ambiguous as the statutory warning on the tobacco products.

The zero-control situation recently provoked an American visitor to a super deluxe hotel in Mumbai to ask in astonishment: "All the ash-trays in the lobby are filled with cigarette butts. How can they allow smoking in a pub-

down even to the rural areas where traditional forms of tobacco are popular," he adds. In fact, even the traditional forms of tobacco such as misri, snuff, khaina etc. are being packaged and heavily advertised in the urban centres.

Wide protests by health activists in India have so far only yielded a voluntary code drafted by the Advertising Standards Council of India (ASCI) to govern advertising by the tobacco industry. Coming into effect from October 1, 1998, it will ban public personalities from endorsing tobacco products, and disallow ads that attribute a better life to the intake of tobacco. The code also seeks to clamp down on surrogate ads. Wills cricket gear is, thus, out. "Our code is an attempt

The many forms of smokeless tobacco

Packaged:

- Creamy Snuff
- Dry Snuff
- Lal Dantmanjan — contains tobacco; sold as dentifrice
- Zarda — chewing tobacco with aromatic substances and lime
- Gutka — tobacco (nicotine), arecanut, aromatic flavours, sawdust, magnesium carbonate
- Pan Masala — arecanut, aromatic flavours, sometimes saccharine

Source: Dr P.C. Gupta, TIFR

Non-packaged:

- Mishri — tobacco roasted and grinded into a black powder; most common in Mumbai
- Tobacco flakes with chuna (lime) — the lime aids in better absorption of nicotine
- Kharra (Vidarbha) & Mawa (Gujarat) — tobacco with lime and areca-nut
- Khimam — tobacco paste with aromatic substances
- Gudakhu (Bihar) — tobacco paste with molasses
- Betel Quid with tobacco

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-3 MAY 1998

THE TIMES OF INDIA
(BOMBAY)

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Breathing fire over smoke

The tobacco industry has been thrown off balance by a stringent new advertising code released by ASCI

It had to happen. The tobacco industry saw it coming for a long time. India's anti-tobacco lobby had been gaining momentum, propelled mainly by consumer bodies and health workers. After 18 months of deliberation, the Advertising Standards Council of India (ASCI) last fortnight released a tough new set of guidelines for tobacco advertising that will come into effect from 1 October.

Even as ad agencies and tobacco companies frown over the code, consumer activists are peeved that the restrictions don't go far enough. "We need a code that can bite, not just bark," says consumer activist and lawyer Shirish Deshpande. But then, as Bharat Patel, vice-chairman of ASCI (also chairman and managing director, Procter & Gamble) says, "We simply cannot please everybody."

In short, ASCI says that ads may not suggest that tobacco products lead to health, safety, success (in business, relationships, sports, sex), machismo, daring, courage, emancipation, testimonials from well-known personalities or heroes of the young. There's more: people featured in ads should "clearly appear to be over 25 years of age", no more than a third of persons featured shall be shown smoking, no tobacco ads may be released in media targeting children.... Where does this leave advertisers of tobacco products? More important, do they really have to comply with this code, especially since ASCI has no statutory powers?

The industry's biggest player, ITC, says that it will comply but not overnight. It is quite clear that all the smaller companies are waiting to see how ITC reacts to the code. Not surprising, given that ITC is estimated to have a market share of about 67 per cent. Its ad budget, Rs173 crore last year, is esti-

mated to account for over 67 per cent of all cigarette advertising. Already exposed to BAT's stringent code after its tie-up to produce and market Benson & Hedges (B&H) and 555 State Express, ITC has already begun to revamp its advertising pitches.

Godfrey Phillips, which has a share of about 13 per cent of the market, declined to comment on the implications of the code while it is being studied by its legal department. With brands like Panama and Chancellor,

typically favoured more subdued advertising.

A will, and many ways

Tobacco monies keep virtually every ad agency in Calcutta in business. BatesClarion, for instance. Apart from ITC's Gold Flake account, the agency also handles new entrants B&H and 555 (Bates' accounts internationally). B&H and 555 ads are not expected to run afoul of ASCI as they are already designed to pass the UK's code, which is even more stringent. ASCI's own standards are based on the UK's code.

A number of current campaigns are now going to be no-nos. Like the one that features actor Akshay Kumar in a daring rescue of damsels trapped in a cable car between puffs of his Red &



ASCI's objectives

- Ads should not:
- Encourage minors (below 18) to use tobacco products
 - Induce non-users to take to tobacco
 - Suggest that the use of tobacco products leads to extraordinary success in various areas of human endeavour
 - Resort to surrogate advertising for tobacco products, by circumventing the provisions of Law, Rules or Code

G. K. VEDHICHA, PETA, PONDICH

GTC Ltd, with an ad budget of Rs19 crore, says it will comply, though total compliance will take a couple of years, and even then only "if legislation is passed". But, insists Ved Berry, marketing director, GTC, "It is a voluntary code and cannot be enforced." The company has just 6 per cent of the cigarette market and is currently a minor case. VST, with 13 per cent of the market and an ad spend of Rs15 crore, will be less affected. It has

White cigarette. Out go macho ads like Vinod Khanna and his Baba Zarda or the recent Wills clip showing four youngsters discovering the Wills logo in a cliff amidst Aztec ruins. Philip Morris' Marlboro man, in the wings for some time now, may never enter the Indian market in its current avatar.

Where tobacco companies are expected to dig their heels is in their sponsorship of events. Already, an Indian court has ruled that the mere display of a logo does not constitute

advertising and ASCI has reiterated this. "Our standards have to stay within what is legally smokable," says Patel. "As long as the law permits it, we will." The European Commission failed to ban sponsorship of events by tobacco companies when it appeared that Formula One motor racing and the World Rally Championship would collapse completely.

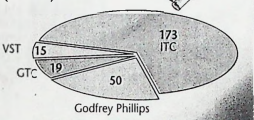
ITC has emerged as the biggest sponsor of sporting events in India over the last decade. These include the Wills World Cup in cricket and Classic's links with equestrian events and golf, Gold Flake in tennis and billiards, and Bristol in football. What of ITC's investment in sponsoring tennis stars Leander Paes and Mahesh Bhupathi? Interestingly, Sam Balsara, chief executive, Madison Advertising, and a member of ASCI's board of governors, says this campaign is also a clear no-no, even if it does not exhaust viewers to actually smoke the brand.

Despite the ban on surrogate advertising, other smokescreens will pass, simply because they do not contravene the letter of ASCI's code. On sale soon will be Jack Nicklaus golf clubs from Classic and footballs from Bristol. Wills has long marketed books, diaries, videos, clothes etc. If such merchandise is produced and sold in large numbers, ASCI says it's fine. ITC's vice-president Kurush Grant maintains that the Wills brand is being advertised rather than the cigarettes in most advertising material.

What will ASCI do if tobacco companies simply decide that they do not want to comply with its code? At stake is about Rs257 crore from cigarette advertisers alone. Dorab Sopariwala, chairman of ASCI, explains that 80-90 per cent of the press media are ASCI members and most often they would choose to abide by ASCI's suggestions and reject ads that go against its rules. All major TV networks are ASCI members. Even though channels like Star and Zee are beamed from outside the country, they are subject to the standards and practices of Hong Kong, from where they are beamed. A look at Hong Kong's code is telling, it even



Ad-spends
(Rs crore)



specifies that merchandise like cigarette holders, tobacco filters, etc, cannot be broadcast "in proximity to children's programmes". Moreover, says Sainath Iyer, zee TV's vice-president, marketing services: "We also follow all Indian rules and regulations."

"Ninety-nine per cent of the time we would reject an ad that offends ASCI's codes," admits the marketing director of a publishing house a little wistfully. "True, we have no statutory authority but our members realise that if we don't regulate ourselves, somebody will regulate us," says Sopariwala. The rationale has worked so far, and ASCI has never really faced any major problems about compliance from its own members, but if the tobacco industry took a tough stand, the issue may well be the first real test of ASCI's mettle. Balsara admits that there have been problems with liquor advertisers, but ASCI expects tobacco companies to be more responsive.

Despite ASCI's best attempts, there is plenty of scope for discretionary interpretation under the new code. Obviously, its complaints cell is in for a great deal of hair-splitting with tobacco companies and anti-tobacco lobbies interpreting the code completely differently. But then, says Sopariwala,

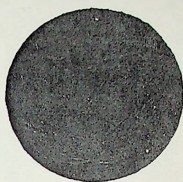
B&H ads may pass the test, but will Gold Flake's new campaign with its youth idols?

you simply cannot write the definitive code; "it is also open to change."

Patel agrees that the most problems with compliance will come not from cigarette companies, but from small-time manufacturers of beedis, gutkha, zarla, kiwari, ghadaka, hand-rolled and chewing tobacco. Unlike the cigarette wallahs, such manufacturers did not even respond to ASCI's proposal to discuss formulating the code. ITC chairman Yogi Deveshwar has been at pains to point out that cigarette smokers only consume about 20 per cent of the nation's tobacco. He feels that picking on companies like ITC would be counterproductive and would drive consumption underground.

So who will the government side with on the issue? A tricky question. Even as a number of states have introduced no-smoking laws for public places, the government has a healthy respect for the fact that tobacco sales account for about 10 per cent of excise collections (with cigarette sales alone contributing 90 per cent of this amount), which are more than Rs4,500 crore. The next few months promise to be interesting, for they will test the ingenuity of ad agencies, the prudence of tobacco companies, the ethical compulsions of the media and the vigilance of the anti-tobacco lobby.

• MERLE ALMIDA, MADHUMITA BOSE
and SUDESHI DUTTA



NOVEMBER 1983

HEALTH PROBLEMS OF TOBACCO PROCESSING WORKERS

Some Impressions

Dhruv Mankad

The tobacco processing industry of Nipani (Karnataka) employs around 6,000 workers, most of them being women. Given the appalling conditions under which they work and live -- the latter not being very much different from that of other workers of the unorganised sector -- it would be unscientific not to suspect the presence of a variety of work-related diseases amongst them.

When I started working for a dispensary run by an institution in close association with their Union Chikodi Taluka Kamagar Mahasangh, I began to look for correlations between the symptoms presented by the workers and the nature of their work. After working for around two years what I observed is a distinct pattern in the diseases and health problems that afflict these workers. Although I have not done any systematic study as yet, I have been able to form some impressions which I wish to share.

The process of converting raw tobacco into processed zarda or beedi zarda consists of a number of part-manual, part-mechanical operations of winnowing, sieving and pounding. At times all these are done with the help of machines. Finally, various grades and kinds of tobacco are blended into a mixture as required for a particular brand of beedi. The whole process, particularly winnowing and blending, causes a lot of fine tobacco dust to fly up into the air of the closed rooms that pass-off as factories. For a newcomer it is impossible to stand there even for half a minute without retching or getting a bout of coughing and sneezing. New recruits often feel giddy and vomit while working. The whole process also entails direct contact of the skin with tobacco. During the blending which is done with legs, the heat generated

by constant sprinkling of the tobacco zarda with water is a problem added to the risk of constant skin contact.

Initially, my colleagues and I had formed tentative ideas about the work-related diseases (I hesitate to call them occupational diseases for want of any evidence of correlation between the work and the disease) we were likely to come across. We expected that the workers would be suffering from the following :

- (1) Respiratory diseases : Chronic bronchitis, emphysema, bronchial asthma etc. due to constant inhalation of tobacco dust.
 - Malignancies of the respiratory tract.
 - Laryngitis, Laryngeal tubercle etc.
 - Increased proneness to tuberculosis.
- (2) Skin diseases like contact dermatitis and allergic disorders.

Although based on my subjective experience, I can say with some confidence, and relief too, that some of the conjectures were probably wrong :

- a) Respiratory disorders like chronic bronchitis, emphysema etc. are not as widespread as we had expected, though probably more common than encountered elsewhere.
- b) We have not come across any patient with malignancies of the respiratory tract, which is somewhat perplexing as constant contact with tobacco in other forms have been associated with malignancy. We had three patients with oral cancer but they had a history of tobacco chewing.
- c) Bronchial asthma too, does not seem to be

any more common than elsewhere. But in at least two out of eight patients taking regular treatment from our dispensary, the onset could be correlated directly with the work.

d) Tuberculosis too, does not seem to be any more widely prevalent than in other areas. In fact, 11 of the 13 T.B. patients under our treatment so far, have been beedi rolling workers or their family members. Only one woman patient was working in a tobacco factory and the other was her daughter. This is a very perplexing epidemiological fact requiring further investigation. Many occupations involving inhalation of various kinds of dusts make the workers vulnerable to T.B. e.g., slate pencil industry, stone breaking etc. It is also a well known fact that beedi workers are more prone to T.B. No causative factors have been identified as yet, though.

i) Laryngitis is quite common especially after the mixing operation which as mentioned above causes a lot of tobacco dust to rise. In many women and men voices have changed and some even lost them altogether.

ii) Skin problems like dermatitis, urticarial rashes etc. are quite common. Many women complain of fissures in the soles of their feet, causing great discomfort.

Many problems not considered earlier have been encountered :

a) The incidence of dyspeptic symptoms, hyperacidity and we suspect even peptic ulcer may be quite high. Almost all the tobacco workers who have attended the dispensary have one time or the other suffered from these symptoms. One factor which we have not considered is the habit of tobacco chewing which is quite prevalent.

b) The commonest complaint that the workers have is low backache and pain between the shoulder blades. This problem seems almost universal amongst the tobacco workers. To this, one can add the problem of painful and stiff knee joints. Many operations like pounding and sieving require the worker to squat on her legs for hours together. This awkward posture must take its toll. That most of these problems are caused by muscular strain is borne out by the fact that relief is obtained by

massaging the affected part with or without a counterirritant. Liniment turpentine is perhaps the most frequently used drug in the dispensary. Of course, low nutritional status, housework and frequent child birth cannot be ruled out as other possible causative factors without a thorough study.

This problem seems to be more acute in beedi-rolling workers. They complain of pain and stiffness of neck, too. They sit in even more awkward position - with straight back and legs stretched out in front of them and stooping over the tray containing tobacco and beedi leaves kept over the legs.

c) Chronic dacryocystitis seems to be more common than encountered elsewhere. It may be because of chronic inflammation as a result of tobacco induced irritation, blocking the nasolachrymal duct, or as a result of physical blockage of the duct by tobacco dust.

The experience so far raises certain questions which we are trying to solve by a systematic study of some of these problems :

1) What are the relative incidences of the diseases noted above in the workers and control subjects - sexwise and age group wise. If the results confirm the subjective experience so far then,

2) Why is the incidence of both pulmonary tuberculosis and malignancy of the respiratory tract so low? Has it anything to do with the fact that most of the workers are women?

3) Are the muscular problems related to posture during the work or are they due to other causative factors noted above ?

It is a matter of regret that there is not a single study on the health problems of the workers of an industry involving material whose hazards are well documented. The National Institute of Occupational Health could help me with only a single reference to a study on hazards to agricultural workers involved in tobacco farming. Dr. Gupta of Department of Occupational Health, Central Labour Institute, Bombay did promise to initiate a study on an official request from the Medical Inspector of Factories. In turn the Medical Inspector of Factories has passed over the responsibility of producing a "prima facie evidence" on to us.

(continued on page 8)

FROM THE EDITOR'S DESK

TOBACCO SICKNESS

We present in this issue an article by Dhruv Mankad on health problems of tobacco processing workers. Dhruv Mankad needs to be congratulated for the systematic work he has undertaken. The article is based on his personal experience. Although he is careful to say this is not a systematic study, his results compare very well in those reported by the National Institute of Occupational Health, Ahmedabad (NIOH).

The symptoms described such as nausea, vomiting, dizziness, headache etc. belong to a syndrome known as green tobacco sickness. This was first reported by Gehlbach from the U.S. (JAMA 229, 1880, 1974). This was described in those who work on tobacco fields in North Carolina state and hence the name green tobacco sickness. The authors stated that though the symptoms were known to the workers for many years, they were never described till then in medical literature. This was considered to be of a recurrent, self limiting nature. Symptoms occurred a few hours, after starting work and was described as a combined dermal-respiratory exposure. Gehlbach also found that smoking protected against the symptoms, perhaps due to an increased tolerance to nicotine.

In our country, tobacco is mainly cultivated in Andhra Pradesh and Gujarat. There were said to be 1.2 lakh workers in the organised tobacco industry as of 1974. Studies by NIOH on those harvesting tobacco as well as handling cured leaves confirmed the findings of Gehlbach. They also described difficulty in breathing, breathlessness, dry cough etc. (continued from page 2)

Is this callousness on the part of the authorities due to the fact that these workers belonged till recently to the so-called unorganised sector or is it because most of them are women? I do not think any systematic study is required to answer this particular question.

It was legalised. A suggestion made at the meeting to ban these tests for private practitioners and restrict their availability to only 2 or 3 recognised government hospitals could provide a certain degree of control over the abuse. Women's organizations and consumer associations would have to keep a constant vigil to see that these tests are not being used to eliminate female foetuses

Between using a pill or another contraceptive and between abortion of female foetuses through sex determination lies not only a com-

parison of the developments of science and the increasing choices available to the individual but a whole series of issues concerning social relationships between men and women in the family and society, the control of and access to technology, the kind of technology being developed and how much choice a socially discriminated group like women can exercise in such a situation. Today we have dowry demands as a condition for a girl's marriage, tomorrow another condition for marriage could well be an undertaking that she will only produce sons!

In 1980 NIOH did a study on tobacco processing workers in Nadiad, Gujarat. The work included pulverising dry leaves, sizing and filling-up in the bags. Symptoms were found in 70 per cent of the workers but most commonly only after heavy dust exposure or during hot summer months. Symptoms persisted only for a few hours and were considered by the investigators to be mild in nature.

The NIOH study also found a slight increase in the incidence of tuberculosis and also hypertension. Dhruv Mankad has raised the question as to why the incidence of tuberculosis and cancer were not high in those studied by him. As far as tuberculosis is concerned, unless the incidence in the general population is known, it is difficult to state why there is no increased incidence in the beedi workers. After all tuberculosis is an infectious disease and other factors described by Dhruv can only be precipitating factors. As far as cancer is concerned, it is not so easy to find a correlation between occupation and the disease. A large number of workers have to be studied, their ages known and also the length of exposure to tobacco should also be known. Therefore, by a small study like this one cannot categorically say whether the incidence of the two diseases is high or not in these workers.

organised sector or is it because most of them are women? I do not think any systematic study is required to answer this particular question.

sons!

Editorial Committee

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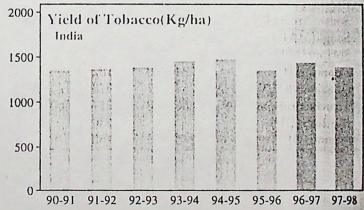
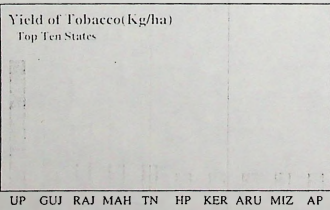
TOBACCO: Major States: 1990-91 - 1997-98

Major States by Area

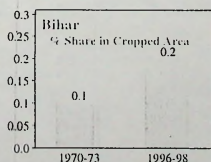
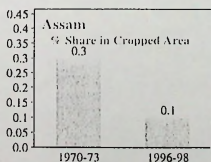
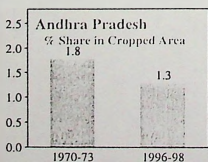
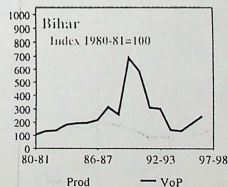
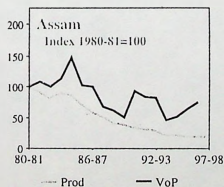
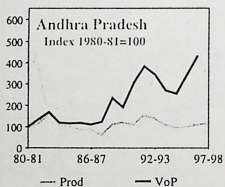
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	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
India	411.0	427.0	418.5	384.8	381.7	394.6	428.0	463.5
Andhra Pradesh	166.8	205.5	173.5	149.1	130.5	136.2	163.0	202.0
Gujarat	109.6	85.3	105.5	96.7	113.4	121.8	112.6	111.0
Karnataka	46.1	52.9	58.4	61.2	59.4	59.6	70.3	69.5
Uttar Pradesh	15.5	14.7	14.5	16.6	16.7	13.1	17.1	22.3
Bihar	15.3	15.2	16.4	13.9	14.9	18.2	17.2	20.5
West Bengal	12.7	14.0	11.7	12.0	12.6	13.3	11.8	10.7
Maharashtra	10.1	9.7	10.2	9.5	9.8	9.4	9.5	9.3
Orissa	15.0	14.9	12.9	10.0	10.3	9.1	9.3	8.0
Tamil Nadu	10.4	7.3	8.4	9.2	7.2	8.6	11.8	5.4
Assam	2.6	2.2	2.1	1.8	1.7	1.6	1.6	1.6

Major States by Production

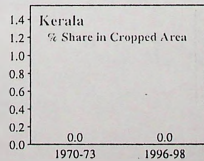
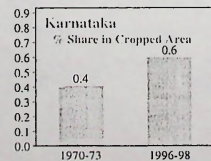
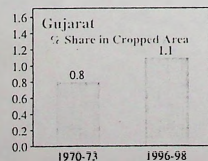
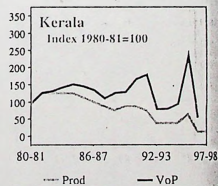
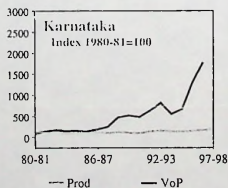
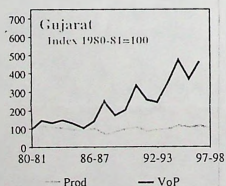
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	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
India	556.0	584.4	596.5	562.9	566.7	535.2	617.9	646.0
Andhra Pradesh	187.0	256.8	236.4	188.2	164.5	170.3	184.2	197.2
Gujarat	192.9	154.3	172.1	179.2	213.2	196.0	211.5	183.9
Uttar Pradesh	78.8	70.3	76.7	94.1	90.7	61.1	105.5	152.4
Karnataka	31.0	44.7	52.9	46.0	45.2	48.8	57.0	60.8
Bihar	12.7	8.6	9.3	7.4	7.7	10.4	11.7	14.7
Maharashtra	10.4	8.0	11.8	13.0	12.8	13.5	10.8	13.7
Tamil Nadu	16.0	11.1	12.2	13.5	10.7	13.0	17.6	7.9
West Bengal	12.8	13.7	9.3	9.5	10.0	10.4	9.1	6.1
Orissa	8.1	10.8	9.9	6.1	6.0	6.7	5.5	5.0
Rajasthan	4.9	2.2	2.4	2.4	2.7	2.1	2.4	1.9



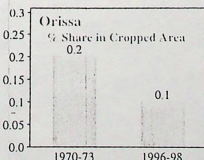
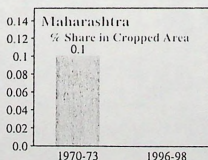
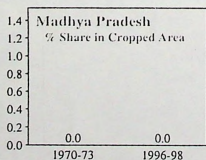
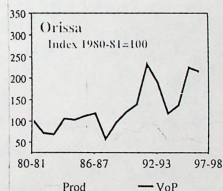
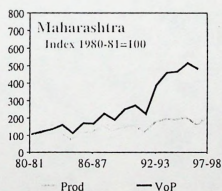
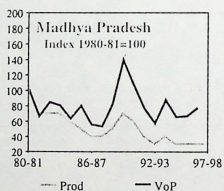
	Andhra Pradesh			Assam			Bihar		
	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)
1970-71	222.1	144.0	650	8.4	6.3	750	13.5	12.0	890
1971-72	238.1	205.0	860	8.7	6.6	760	12.5	12.4	990
1972-73	222.7	163.2	730	8.0	6.0	750	13.3	5.4	410
1973-74	236.5	237.1	1000	7.1	5.5	780	13.2	6.0	450
1974-75	177.1	159.4	900	6.9	5.1	740	9.1	7.4	810
1975-76	156.2	129.6	830	6.6	4.9	740	11.0	11.7	1060
1976-77	188.4	133.2	710	6.7	4.9	730	15.7	13.0	830
1977-78	290.7	262.8	900	6.0	4.3	720	11.8	9.8	830
1978-79	198.7	190.6	960	5.3	3.9	740	10.9	10.6	970
1979-80	171.6	154.9	900	5.1	3.7	730	12.7	11.7	920
1980-81	169.4	164.0	970	5.7	4.0	700	12.5	9.7	780
1981-82	183.9	193.4	1050	5.5	3.7	670	13.9	12.3	880
1982-83	253.2	270.2	1070	5.0	3.3	660	13.7	12.9	940
1983-84	186.8	185.6	990	5.3	3.6	680	13.4	13.4	1000
1984-85	177.9	170.6	960	5.4	3.5	650	15.9	16.1	1010
1985-86	149.3	145.5	970	4.5	2.9	640	12.7	15.3	1200
1986-87	146.5	152.0	1040	3.9	2.4	620	14.1	16.9	1200
1987-88	107.0	105.0	980	3.4	2.1	620	15.0	19.0	1270
1988-89	151.0	186.0	1230	3.0	1.7	670	14.5	17.3	1190
1989-90	163.5	203.1	1240	2.9	1.6	550	15.5	15.8	1020
1990-91	166.8	187.0	1120	2.6	1.4	540	15.3	12.7	830
1991-92	205.5	256.8	1250	2.2	1.3	590	15.2	8.6	570
1992-93	173.5	236.4	1362	2.1	1.2	570	16.4	9.3	570
1993-94	149.1	188.2	1260	1.8	0.9	500	13.9	7.4	530
1994-95	130.5	164.5	1260	1.7	0.9	530	14.9	7.7	520
1995-96	136.2	170.3	1250	1.6	0.8	500	18.2	10.4	570
1996-97	163.0	184.2	1130	1.6	0.8	500	17.2	11.7	680
1997-98	202.0	197.2	976	1.6	0.8	500	20.5	14.7	717



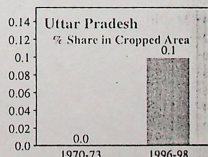
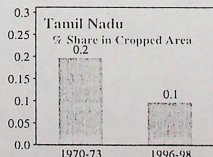
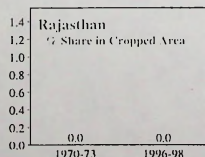
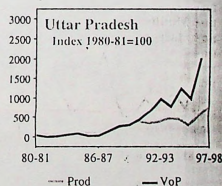
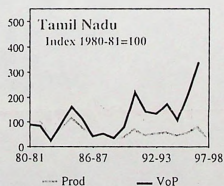
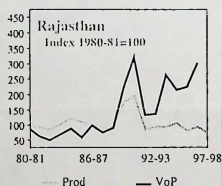
	Gujarat			Karnataka			Kerala		
	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)
1970-71	86.9	113.0	1300	43.0	21.0	490	0.8	1.6	2130
1971-72	65.6	116.4	1360	40.0	17.0	430	0.8	1.7	2130
1972-73	87.2	110.1	1260	37.0	20.0	540	0.7	1.5	2140
1973-74	90.6	131.0	1450	38.0	18.0	470	0.7	1.4	2070
1974-75	88.5	127.4	1440	36.0	19.0	530	0.8	1.3	1630
1975-76	78.6	116.6	1480	38.0	23.0	610	0.8	1.5	2030
1976-77	99.2	164.6	1660	36.0	27.0	750	0.7	1.3	1940
1977-78	81.5	125.3	1540	42.0	31.0	740	0.4	0.8	2000
1978-79	74.6	153.6	2060	44.0	30.0	680	0.4	0.8	2000
1979-80	114.7	174.9	1520	45.0	27.0	600	0.4	0.8	2000
1980-81	121.5	185.2	1520	52.0	34.0	650	0.4	0.8	2000
1981-82	113.0	209.5	1850	50.0	29.0	580	0.5	1.0	2000
1982-83	110.6	197.1	1780	50.0	38.0	760	0.5	1.0	2000
1983-84	108.3	186.9	1730	50.0	29.0	580	0.6	1.0	1670
1984-85	108.4	173.5	1600	49.0	31.0	630	0.5	1.0	2000
1985-86	106.2	167.8	1580	47.2	31.9	680	0.5	0.9	1800
1986-87	110.4	182.8	1660	46.7	37.4	800	0.4	0.8	2000
1987-88	81.5	121.8	1490	43.8	33.4	760	0.4	0.7	1750
1988-89	90.0	151.0	1680	51.0	41.0	800	0.4	0.6	1500
1989-90	112.6	182.9	1620	50.5	34.5	680	0.4	0.7	1750
1990-91	109.6	192.9	1760	46.1	31.0	670	0.4	0.7	1750
1991-92	85.3	154.3	1810	52.9	44.7	850	0.3	0.6	2000
1992-93	105.5	172.1	1630	58.4	52.9	906	0.2	0.3	2000
1993-94	96.7	179.2	1850	61.2	46.0	750	0.1	0.3	3000
1994-95	113.4	213.2	1880	59.4	45.2	760	0.2	0.3	1500
1995-96	121.8	196.0	1610	59.6	48.8	820	0.2	0.5	2500
1996-97	112.6	211.5	1878	70.3	57.0	811	0.1	0.1	1000
1997-98	111.0	183.9	1657	69.5	60.8	875	0.1	0.1	1000



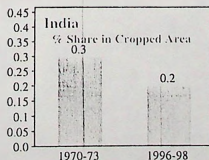
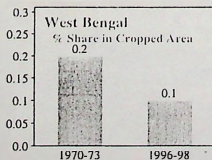
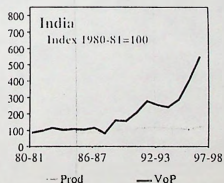
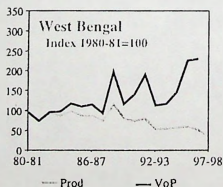
	Madhya Pradesh			Maharashtra			Orissa		
	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)
1970-71	2.3	1.2	520	13.2	6.1	460	14.2	12.3	870
1971-72	2.4	1.3	540	13.3	6.6	500	14.0	11.8	840
1972-73	2.4	1.1	460	10.6	4.4	420	15.3	13.2	860
1973-74	2.4	1.2	500	12.7	5.9	460	15.4	12.4	810
1974-75	1.9	0.9	470	12.7	5.8	460	15.4	11.1	720
1975-76	2.7	1.5	560	11.2	5.2	460	16.7	11.0	660
1976-77	3.1	1.7	550	10.4	6.1	590	14.8	6.9	470
1977-78	2.5	1.3	520	10.8	5.6	520	16.6	7.1	430
1978-79	1.7	0.9	530	12.8	7.4	580	19.6	9.6	490
1979-80	1.2	0.5	420	14.3	7.9	550	18.1	8.6	480
1980-81	2.0	1.0	500	11.9	6.8	570	21.2	11.3	530
1981-82	1.3	0.7	540	12.0	7.3	610	16.6	7.8	470
1982-83	1.1	0.7	640	12.2	7.1	580	15.9	7.2	450
1983-84	1.3	0.7	540	10.1	7.9	780	18.6	10.2	550
1984-85	1.3	0.6	460	7.1	4.9	690	17.8	9.4	530
1985-86	1.0	0.5	500	9.9	7.7	780	18.2	9.6	530
1986-87	0.9	0.4	440	8.4	7.9	940	16.2	9.7	600
1987-88	0.8	0.4	500	11.2	10.3	920	14.4	5.0	350
1988-89	1.0	0.5	500	9.9	8.5	860	14.0	6.3	450
1989-90	1.2	0.7	580	9.2	9.9	1080	15.2	9.1	600
1990-91	1.1	0.6	550	10.1	10.4	1030	15.0	8.1	540
1991-92	0.7	0.4	570	9.7	8.0	820	14.9	10.8	720
1992-93	0.5	0.3	570	10.2	11.8	1160	12.9	9.9	730
1993-94	0.7	0.4	570	9.5	13.0	1370	10.0	6.1	610
1994-95	0.6	0.3	500	9.8	12.8	1310	10.3	6.0	580
1995-96	0.5	0.3	600	9.4	13.5	1440	9.1	6.7	740
1996-97	0.4	0.3	750	9.5	10.8	1140	9.3	5.5	591
1997-98	0.4	0.3	750	9.3	13.7	1473	8.0	5.0	625



	Rajasthan			Tamil Nadu			Uttar Pradesh		
	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)	Area (^{'000} ha)	Production (^{'000} tns)	Yield (Kg/ha)
1970-71	3.6	2.7	750	15.0	23.0	1530	10.9	9.7	890
1971-72	5.5	3.8	690	11.0	16.0	1450	11.2	9.8	880
1972-73	5.5	3.3	600	14.0	21.0	1500	11.1	10.8	970
1973-74	4.2	3.2	760	13.0	19.0	1460	10.0	8.9	890
1974-75	3.6	2.9	810	6.0	6.0	1000	7.7	5.8	753
1975-76	5.9	3.9	660	13.0	19.0	1460	11.7	9.4	800
1976-77	9.5	6.4	670	19.0	27.0	1420	10.8	10.7	990
1977-78	3.7	3.0	810	11.0	17.0	1550	8.9	10.2	1150
1978-79	2.7	2.8	1040	13.0	19.0	1460	9.3	10.4	1120
1979-80	3.1	2.7	870	13.0	19.0	1460	10.5	13.8	1310
1980-81	3.4	2.5	740	15.0	22.0	1470	15.4	20.2	1310
1981-82	3.0	2.4	800	15.0	23.0	1530	12.2	15.4	1260
1982-83	2.4	2.2	920	8.0	9.0	1130	11.2	15.3	1370
1983-84	2.5	2.6	1040	12.0	17.0	1420	12.8	17.7	1380
1984-85	3.2	3.1	970	12.0	26.0	2170	19.4	28.1	1450
1985-86	2.8	2.8	1000	13.0	18.0	1380	14.4	21.5	1490
1986-87	2.4	2.6	1080	9.0	11.0	1220	13.6	20.4	1500
1987-88	1.8	2.3	1280	9.0	13.0	1440	12.8	38.3	2990
1988-89	2.4	2.3	960	5.8	7.3	1260	14.0	48.0	3430
1989-90	3.6	4.4	1220	7.3	9.2	1260	15.8	70.7	4470
1990-91	3.3	4.9	1480	10.4	16.0	1540	15.5	78.8	1000
1991-92	1.9	2.2	1160	7.3	11.1	1520	14.7	70.3	4780
1992-93	1.8	2.4	1330	8.4	12.2	1452	14.5	76.7	5150
1993-94	1.4	2.4	1710	9.2	13.5	1470	16.6	94.1	5670
1994-95	1.7	2.7	1590	7.2	10.7	1490	16.7	90.7	5430
1995-96	1.3	2.1	1620	8.6	13.0	1510	13.1	61.1	4660
1996-97	1.7	2.4	1410	11.8	17.6	1492	17.1	105.5	6170
1997-98	1.2	1.9	1583	5.4	7.9	1463	22.3	152.4	6834



	West Bengal			India		
	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)	Area ('000 ha)	Production ('000 tns)	Yield (Kg/ha)
1970-71	10.0	8.0	800	447.0	362.0	810
1971-72	12.0	9.0	750	458.0	419.0	920
1972-73	13.0	10.0	770	445.0	372.0	840
1973-74	14.0	11.0	790	462.0	462.0	1000
1974-75	12.0	9.0	750	381.0	363.0	950
1975-76	12.0	11.0	920	368.0	350.0	950
1976-77	15.0	15.0	1000	432.0	419.0	970
1977-78	15.0	15.0	1000	504.0	494.0	980
1978-79	13.0	13.0	1000	409.0	454.0	1110
1979-80	13.0	12.0	920	425.0	439.0	1030
1980-81	19.0	17.0	890	452.0	481.0	1060
1981-82	14.0	13.0	930	444.0	520.0	1170
1982-83	16.0	16.0	1000	503.0	582.0	1160
1983-84	15.0	15.0	1000	440.0	493.0	1120
1984-85	16.0	17.0	1060	437.0	486.0	1110
1985-86	15.0	15.0	1000	397.0	441.0	1110
1986-87	14.0	15.0	1070	389.0	462.0	1190
1987-88	11.0	13.0	1180	318.0	367.0	1150
1988-89	16.0	19.9	1240	377.0	493.0	1310
1989-90	12.8	13.8	1080	413.0	552.0	1340
1990-91	12.7	12.8	1010	411.0	556.0	1350
1991-92	14.0	13.7	980	427.0	584.4	1370
1992-93	11.7	9.3	795	418.5	596.5	1390
1993-94	12.0	9.5	790	384.8	562.9	1460
1994-95	12.6	10.0	790	381.7	566.7	1480
1995-96	13.3	10.4	780	394.6	535.2	1360
1996-97	11.8	9.1	770	428.0	617.9	1444
1997-98	10.7	6.1	570	463.5	646.0	1394



Major Districts by Area

	(Hectares)							
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Kheda(GUJ)	60400	77200	79700	56700	77100			81660
Prakasam(AP)	38500	41500	46100	62800	56900	47600	46100	49500
Vadodara(GUJ)	23200	24100	21000	22100	21800			28071
Belgaum(KAR)	30076	30518	23627	25378		24914	26241	26241
West Godavari(AP)	27500	26600	27000	28200	27300	12500	23500	24300
Mysore(KAR)	11029	13438	14317	14206			24380	23299
Kurnool(AP)	20500	30000	23400	24700	14600		11800	11200
Khammam(AP)	13200	10800	12000	14900	14100	5000	8900	10400
Nellore(AP)	7800	7500	7800	11100	12300	8200	8200	9700
East Godavari(AP)	11000	11600	11100	19500	14200	7700	10500	9300
Koch Bihar(WB)	13270	9105	8957	10379	8600	9210		
Vnishali(BIH)	6745	7607	7332	7536	8246	8115	6882	9087
Farrukhabad(UP)	4172	5413	6079	6122	5044	6650		
Guntur(AP)	7400	5500	6900	9000	7000	6100	5300	5200
Samastipur(BIH)	4776	4688	5193	4987	5656	2596	5312	5193
Krishna(AP)	7600	9100	9700	11000	9400	1900	4600	4800
Mahesana(GUJ)	2700	7200	5200	2800	2700			4711
Kolhapur(MAH)	4400	4200	5300	4600	5000	4700		
Banas Kantha(GUJ)	800	1000	1300	800	1200			4435
Moradabad(UP)	8	406	999	839	450	4410		
Hassan(KAR)	1557	3854	2946	3975			4605	4148

Major Districts by Production

	(Tonnes)							
	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
Kheda(GUJ)	99800	129200	141300	109400	127600			143779
West Godavari(AP)	45800	45200	39200	40500	43800	13100	36300	38600
Prakasam(AP)	36300	45500	39500	56200	57300	42600	44000	37700
Vadodara(GUJ)	40000	30700	28800	30200	28500			32851
Belgaum(KAR)	30572	25078	19438	24760		28331	23633	24705
East Godavari(AP)	14600	13500	17100	34100	25900	10700	17300	22900
Khammam(AP)	20100	12600	16300	28900	20500	6200	17000	20700
Farrukhabad(UP)	15321	32329	29106	28606	26578	18870		
Mysore(KAR)	6160	6651	7263	12268			15657	18216
Moradabad(UP)	22	994	3009	2669	1741	11780		
Kurnool(AP)	17900	32200	26600	27100	15600		12100	10500
Etah(UP)	15515	11256	28627	28258	33305	10260		
Krishna(AP)	11600	15200	12600	17500	15800	2500	8000	9300
Kolhapur(MAH)	4000	5200	5800	4500	7700	9100		
Guntur(AP)	8400	6500	7500	10100	8900	6100	5100	8300
Mahesana(GUJ)	4500	14700	16300	8100	9700			7585
Banas Kantha(GUJ)	1400	2000	2300	1400	1900			7140
Koch Bihar(WB)	15568	9877	8851	10356	6436	6812		
Periyar(TN)	4352	5708	6651	5849	6241	6320		
Vishakhapatnam(AP)	3600	3200	5900	7400	8900	2900	5300	5900
Nellore(AP)	4200	6300	7100	9800	13100	9200	7600	5400

COVER STORY

TOBACCO/CIGARETTES

Braving all odds

On the face of economics, morality and altruism might as well take a back seat. Which is why, it makes eminent sense to promote the tobacco industry, however obnoxious it may sound. High time somebody looked into the irrational tax structures that have created a situation where 85% of the industry goes untaxed. Because missing out on that kind of revenues would be criminal. Now, who is to bell the cat?

By GUNJAN DHELIJA

PChidambaram had a two step cure for all the evils that ail the Indian economy.

Step 1: Do away with all barriers that impede growth. Till the day pink dailies and investors scream their heads off tommorwing a 10% rate of growth.

Step 2: Maintain those levels for the next seven to ten years.

The bottomline — poverty line disappearing and improved living standards apart, altruism and morality will be a lot more affordable. Because in the final reckoning, what matters is sheer economics and nothing else — however crude and obnoxious it may sound.

Which is why, it makes no sense for an economy like India's to even think of imposing a ban on tobacco and tobacco related products.

Consider the following:

□ The industry provides direct and indirect employment to over 10 million people. These include tobacco and areca nut growers, processors, transporters, etc. The 10 million apart, the industry provides self-employment opportunities to over 20 million people such as *paanwallas*, vendors, hawkers and distributors.

□ Tobacco contributed to 4% of agricultural exports in 1997-98.

□ The government raked in Rs. 55.16 billion from the industry in the year 1997-98.

□ Export potential is in excess of Rs. 10 billion — a figure on the verge of being toppled. Experts

reckon the real potential would be fulfilled when the industry nets at least \$3 billion in exports.

□ Recent studies indicate that value addition generated by the industry with the inclusion of the multiplier effect amounts to as much as Rs. 560 billion.

How the industry works

People love to hate it. Assuming economics be damned for a moment, most people have reason. Because tobacco causes more amputations than accidents. Smoking (and chewing tobacco) causes cancer, gangrene, impotency, facial wrinkles, heart and lung diseases, oral submucous fibrosis and a lot more. Like claiming a couple of million lives each year.

Which is why every finance minister has managed to impose higher excise duties with a smile (and a couplet thrown in for good measure).

Fortunately or unfortunately, these smiles and couplets which have piled up over the years have created a skewed

excise duty structure. This in turn created a couple of distortions.

Like the fact that for every cigarette stick sold, ten *bidis* are consumed. Ironically, the tar content in *bidis* is much higher than in cigarettes. That, however, is just the tip of the iceberg.

□ For farmers it makes more sense to grow low quality tobacco because demand is higher. This, in spite of the fact that returns per hectare on cigarette tobacco exceeds that of other crops (see table *Farmers earnings* on page 19).

This has had a cascading negative effect on the kind of revenues that can accrue from the industry. Like it was mentioned at the outset, the forex potential is something like \$3 billion. But that may remain just a pipe-dream because the quality of tobacco grown in India does not lend itself to exports. And invariably, it is value-added products which have a greater potential to rake in the revenues. India's current tobacco exports, 75% of which go in the form of unmanufactured tobacco, do not inspire.

□ There are more losses in terms of revenues. For instance, as a consequence of higher taxes, consumption of cigarettes have more or less contracted. This has resulted in shrinking tax bases as taxes are highly concentrated in this segment.

In fact, a Tobacco News estimate claims that by expanding the consumption of cigarettes, excise collections can be upped to at least Rs. 200 billion from the existing levels.

□ Cut back to reality. Not to be outdone, states have imposed their own luxury taxes on the industry. Taxa-



Quoted by Dr. Kishore
Joshi
16/3/98
Muthy

COVER STORY

EXCISE DUTIES IN THE ASIA-PACIFIC REGION

Excise as a % of retail price	Countries	Rates (%)
Less than 20%	Gaum	5
	Macao	7
	Cambodia	13
	Laos	19
20%-40%	Malaysia	28
	Burma	29
	Vietnam	34
	South Korea	38
40%-50%	Taiwan	41
	Indonesia	46
	Philippines	48
	Singapore	49
	Pakistan	49
	China/HK	50
50%-60%		56
	(+ state taxes = additional 6)	

Source: Tobacco Institute of India

India has the highest excise duty in the Asia-Pacific region

tion levels quite often differ from state to state, leading to a price differential. This, in turn, encourages inter-state smuggling. Even a 5% difference in tax rates translates into Rs. 400,000-500,000 per truck load (or Rs. 600 per master carton). Incentive enough to smuggle.

Will it, won't it?

In the wake of the opposition that is being faced by tobacco products all over the world, one is forced to wonder whether a ban on tobacco products can really help curb their consumption. A few countries in the world have tried this route but not all of them have succeeded.

In fact, experts argue that bans can actually increase consumption. A complete ban may prompt the players in the industry to compete on the pricing front. This will lead to increased consumption especially in a country like India where sales of most tobacco products are extremely price-sensitive.

Another fact that provides credibility to the argument is the way consump-

Which effectively means "barring cigarettes, tobacco is relatively untaxed," says *Tobacco News*. Interestingly, in India 85% of tobacco users are virtually outside the tax net.

Therefore, a case exists for a more rational approach when it comes to the industry. By targeting only the most visible, in this case cigarettes, the government may be doing itself more harm than its people any good.

The kind of difference a mild amount of rationalisation can bring in was demonstrated recently.

The 1994-95 Budget had slashed duties on micros/minis from 12 paise to 6 paise a stick. Thus, cigarette dealers were

ITC currently holds over 70% of the market share. Though over the last couple of years it has diversified into hotels, paper, etc., its core competency remains cigarettes and contributes in excess of 75% of its total revenues

able to reduce prices in this inert sector from 25 paise to 15 paise per stick as against 10 paise for a *bidi*.

tion of cigarettes has decreased in a few nations despite advertising. For instance, in India itself cigarette share in total tobacco consumption dropped from 23% in 1971-72 to 16% in 1993-94. The major drop to the extent of 13% took place in the period 1984-85 and 1994-95.

According to a report of the Federal Trade Commission in the United States, cigarette sales dropped by 8.9% despite an increase in advertising/promotions spend to an extent of 15.4% to US \$6030 millions between 1992-93.

Given such statistics one is really bound to wonder how far advertising helps curb consumption. ♦

This gave *bidi* smokers access to these lower-end cigarettes. It brought micros in direct competition with *bidis*. Within a year, sales of this segment grew tenfold. Volumes trebled to 18 billion sticks in 1995-96, taking the annual sales value (at retail prices) to over Rs. 3,500 million. However, the 1996-97 Budget reversed the concessions doled out by the 1994-95 Budget.

The case rests.

The industry in India

In India, the approximately Rs. 80 billion industry is segregated into two distinct lobbies. The cigarette lobby (18% of the market) and the non-cigarette lobby (see chart Break-up of tobacco consumption on page 20).

The former has a more organised structure while the latter is unorganised. Of late though, what has all along been unorganised is getting more organised. Probably because their stakes are much higher. And it would do them good to stay together when their interests are under threat.

As for the cigarette lobby, it resembles a monopoly more than anything else. This is because ITC currently holds over 70% of the market share. Though over the last couple of years it has diversified into hotels, paper, etc., its core competency remains cigarettes and contributes in excess of 75% of its total revenues.

Then there is Godfrey Philips India (GPI). The second largest player, it has a market share of just around 16%.

The next in line, VST, is effectively an extension of ITC. As for Golden Tobacco Company (GTC), it has been referred to BIFR.

That leaves ITC the undisputed monarch. Analysts have been quick to point out the dangers inherent to such a situation. There are uncharitable market sources whose single out money power (and the support of its multinational parent)

FARMERS EARNINGS

Type of tobacco	Returns/hectare
Flue Cured Virginia (FCV)	13600
Bidi Tobacco	6000
Mustard	5588
Sunflower	4160

Note: Figures in Rs.

Source: Industry

Returns/hectare from FCV variety are more than twice the returns from Bidi tobacco

as the biggest reason for its overpowering presence.

Money power was used to create niches by brand positioning and pricing, not to mention advertising. And money power was used to take out part of the competition, namely VST.

Of course, the government also helped — old-timers swear that the greed for excise collections was the biggest reason which drove GTC to BIFR. Whatever be the merits of that argument, realities today are that not many are enthused by the thought of setting up shop in the industry and facing ITC's near-monopoly.

There is another school of thought. The kind of school which analysts like Rajesh Vora of Prabhudas Laladhar, a stock-broking firm subscribe to. That ITC is where it is for the simple reason that Darwin's law applies — the fittest survive. And in the corporate jungle, the rest go to BIFR or are taken over.

ITC, however, seems hardly bothered. It is gung ho about the future. Recently, the government allowed it to triple existing capacities (see ITC: A lot of fire under the smoke on page 26).

At the same time, Godfrey Philips is getting increasingly serious about its tea business, into which it had ventured a couple of years ago. Which only means ITC's hold on the industry is getting stronger.

For the consumer, therefore, there appears to be no choice in the future.

Which is why, there is a strong lobby whose voices can increasingly be heard. That more companies should be encouraged in the sector. But that will, given current realities, remain a dream.

It will, however, change if foreign brands do manage to gain a toehold in the Indian market. Philip Morris, the Marlboro manufacturer, wants to set up a 100% subsidiary in India to manufacture and market its products.

Vora, however, is convinced that Philip Morris will not be too much of a

Brands are being created in the *guthka* and *pan masala* categories. The extent of their penetration can be vouched for by any humble *paanwalla* on any street corner

bother for ITC because it will take the company time to match ITC's distribution network.

Therefore, he says, even if they go the full hog, it will be some time before the company manages to create a dent in ITC's share.

Grey areas

All problems apart, the Indian cigarette industry has to contend with the grey market. It accounts for one per cent of the total Rs. 87 billion Indian cigarette market and 20% of the king size cigarette segment, estimated at Rs 11.3 billion.

While this segment competes directly with existing brands, it also affects the launch of new brands. For instance, plans to launch *John Player Gold Leaf* and *Lucky Strike* were shelved because of their unpopularity in the grey markets.

On the contrary, *State Express 555* and *Benson & Hedges (B&H)*, which have enjoyed tremendous popularity in the grey market have now been launched officially by ITC. In the past, such launches remained unsuccessful for two reasons.

One, prices in the grey market were much cheaper than what was available

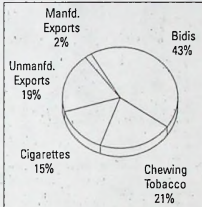
in the grey market. And two, the taste.

But companies have got smarter after bitter experiences in the past and are now attacking the problem with renewed vigour. Like undercutting the grey market. And taking care to ensure that the original flavour is maintained.

B&H is priced at Rs. 50 for a pack of 20s whereas its price in the grey market is Rs. 55. ITC has even gone to the extent of sourcing the raw materials like paper, tobacco, filters and even the packaging from the same worldwide supplier to eight other manufacturing bases in the world.

Simultaneously, it intends to run an ad campaign, which highlights the hazards of smoking the months-old cigarettes smugglers are bringing in, when the brands are being manufactured locally by ITC, and are thus, fresh and at most, two weeks old. ♦

BREAK-UP OF TOBACCO CONSUMPTION



Source: Industry

Non-cigarette products account for 83% of total tobacco production

As for companies like Rothmans Pall Mall (International), it has gained the support of some 38 MPs in parliament. Their bone of contention being that the more competition was necessary on Indian soil to counter the "lack of competition" and consequent unremunerative prices for tobacco growers.

Here again, analysts like Vora don't agree. They contend that ITC offers the best possible prices to tobacco growers. And that a near-monopoly has not skewed the dynamics of the market.

Meanwhile, the unorganised sector is growing in leaps and bounds. Their fortunes are on the rise. And whatever claims they make about their revenues being affected on account of micro sounds specious for apparent reasons. *Bids* are going strong. Brands are being created in the *guthka* and *pan masala* categories. The extent of their penetration can be vouched for by any humble *paanwalla* on any street corner.

The time is just right to bring in these companies into the tax net. At least for the economy in the long run. Another obvious benefit is that taxation, wherever policies are implemented vigorously, helps a lot in corporatising the sector. Which again bodes well for the economy on three grounds — growth is structured, transparency is greater and (in this industry's case) export possibilities and benefits will compound.

Ultimately, Chidambaram does make sense. A 10% rate of growth is what the country needs. And anything that goes in taking this country towards that rate of growth (albeit just a few decimals) is good enough. ♦



CHETAN PARIKH

The author is a director with Jeetay Invest-ments Pvt. Ltd.

Turbulent times ahead

In sharp contrast to the developed economies, cigarettes constitute only 20% of the tobacco consumption in the country.

In the recent issue of "The Economist" dated July 11-17, 1998, in an article titled, "The Tobacco wars" it is stated: "Like a smoker about to quit who has lit up again (and can't stop complaining about it), America's great tobacco war has quietly resumed. With a grand tobacco settlement now a burnt-out fag-end in Washington, the struggle has returned to the courts and the first big class-action lawsuit by smokers has come to trial. Amid the familiar talk of "landmark decisions", the legal ground seems to be shifting.

Big Tobacco says that it will fight all these foes. Indeed, it was the confidence that it could win a better deal for itself in the courts that persuaded the industry to lobby against the proposed settlement in Washington. In June 1997, the tobacco firms had agreed to pay \$368 billion over 25 years in a deal with some 40 state attorneys-general that would not only have settled all state lawsuits, but also prohibited both class-action suits and punitive damages. The final offer from the Congress omitted such protection; and it raised the bill to \$516 billion. The legal settlements the industry put forward during the negotiations in Washington were, it hints, offered only for political reasons and can be withdrawn now the settlement has collapsed. Yet in the meantime the evidence against the companies has been building."

The cigarette industry in the developed countries is mature, and in certain countries, it has even witnessed negative growth due to increased health consciousness. In India, of course, things are somewhat different with the industry's volumes depending on the government's excise duty policy.

Here are some interesting figures. The Indian cigarette industry achieved an estimated turnover of 103.3 billion units in 1997-98. The growth of around 1.3% (in volume terms) was significantly lower than that of 7.7% and 13.2% achieved in 1996-97 and 1995-96, respectively. This slowdown in sales was a result of the sharp increase in excise duties that were effected in the 1997-98 budget. The 1994-96 period of high annual growth was largely due to a reduction in excise duties on non-filter cigarettes (below 60mm) from Rs.120 per 1,000 sticks to Rs.60 per 1,000 sticks. The resulting price reduction led to an increase in demand.

The excise duty increases effected in 1996-97 and 1997-98 reined in the growth. Moreover, the excise duty increases were in the lower and middle market segments which are characterised by extreme price-sensitivity and low margins. The duty hike in 1997-98 resulted in a price hike

across all segments. While Godfrey Phillips India and VST Industries went for an increase of 15-16% in prices across all segments, ITC increased the price of its products by around 10% in 1997-98.

During the current year, following the increase of 6-11% in excise duty across the segments, volume sales of the industry are likely to continue to stagnate. The margins of VST and Godfrey Phillips (which have presence largely in the lower and middle market segments) are likely to be under pressure.

The tobacco industry primarily comprises bids, chewing tobacco and the cigarettes segment. Bids and chewing tobacco are its major components accounting for the larger part of the tobacco consumption in the country. In sharp contrast to the developed economies, cigarettes constitute only 20% of the tobacco consumption in the country.

Excise payments by companies is the single largest expenditure accounting for about 53% of the gross turnover with raw materials accounting for another 23%. Investments in fixed assets are generally major in nature which is why depreciation and interest costs are not high cost components.

ITC is the market leader, particularly strong in the higher end of the market. It has a total 67% market share in volume terms. It has an even higher market share of 74% in the relatively price insensitive higher end of the market.

The year 1997-98 has seen the launch of several premium international brands in the Indian market. They include *Benson & Hedges, State Express, 555* (from BAT Industries through ITC) and *Marlboro* (from Philip Morris through its Indian partner Godfrey Phillips India).

Let us now examine the risks faced by the industry. In the Philip Morris Companies Inc 1997 Annual Report, it is stated: "Some foreign countries have also taken steps to restrict or prohibit cigarette advertising and promotion, to require ingredient disclosure, to impose maximum constituent levels, to increase taxes on cigarettes, to control prices, to restrict imports, to ban or severely restrict smoking in workplaces and public places, and otherwise to discourage cigarette smoking. It is not possible to predict what, if any, other foreign governmental legislation or regulations will be adopted relating to the manufacturing, advertising, sale or use of cigarettes or to the tobacco industry generally."

CIGARETTE INDUSTRY

Few players, fewer choices

The Indian cigarette industry has been characterised by an exorbitant duty structure; it has consistently faced escalating excise duties over the years.

By PROBITY RESEARCH & SERVICES P. LTD

The Indian cigarette industry reeling under the burden of an exorbitant duty structure has been witnessing stagnant growth rates. The sector is dominated by four players who account for 99% of the industry volumes. ITC, the leading player in the sector with a 65% market share has also witnessed stagnant growth in Q1 FY98-99. Godfrey Phillips, VST (also a BAT affiliate) and GTC are the other significant players in the sector.

The Indian cigarette industry has been characterised by an exorbitant duty structure; cigarette being a non-populist and politically sensitive item, the industry has consistently faced escalating excise duties over the years. The trend is expected to continue as cigarettes will always remain a politically unfavourable industry.

Low volume growth

The high level of duties has led to low volume growth in the industry. Globally, about 95% of tobacco is consumed in the form of cigarette. In India, only 20% of tobacco is consumed in cigarette form. The excise duty structure is skewed in favour of bidis (alternate form of tobacco consumption), which is a small scale industry. This has encouraged consumption of bidi at the cost of cigarette consumption.

On the positive side, levy of excise duty on the basis of specific rates benefits the leading players. With a relatively inelastic demand, players with strong brand equities

are generally able to pass on duty escalations to the consumers. A marginal increase in price results in disproportionate growth in the bottom line.

Cigarette/tobacco companies in developed countries like the US face a high risk, as in these countries cost of legal suits and compensation payable for damage to health caused by tobacco is very high. In India, the current legal framework does not expose the cigarette manufacturers to that kind of risk. Demand growth, driven by population growth will remain low over the long term. In terms of relative risk, bidis pose a higher health hazard. The share of cigarette consumption in total tobacco consumption is expected to gradually increase with increasing awareness and higher dispos-

products trade mark in India. It has entered into licensing agreements with two subsidiaries of BAT for manufacture and sale in India of their international brands - *State Express 555* and *Benson & Hedges*. Its distribution network comprising one million retail outlets is the widest in the sector. ITC's operations are integrated, encompassing tobacco procurement, processing, and also captive manufacture of a large part of packaging material. The massive modernisation programme undertaken to upgrade its facilities to international standards will greatly enhance ITC's competitive position in the global markets. The company also proposes to treble capacity of its cigarette manufacturing unit at Calcutta from 4.8 billion pieces to 12.25 billion pieces. ITC is also one of the leading exporters of leaf tobacco, mainly to Latin America, South East Asia, Western Europe and the CIS countries. Tobacco/cigarettes is now the mainstay of its business. Its agro and hotel divisions have been hived off. Other interests include specialty paper and trading. In paper business also, ITC is well placed with a dominant market share in cigarette & carbonizing papers. The company has also ventured into sports goods and leather articles. Certain states like Delhi have imposed a ban on advertisement of cigarettes. Advertisement and promotions of these products have a spill over benefit for ITC's cigarette brands. In FY98, while sales grew by 16% YoY, profits leaped upwards by 52% YoY with curtailment of loss making international trading businesses. In Q1 FY99, ITC's sales registered a 15% YoY growth. However net profit growth at 18% YoY, was much lower than expectations, despite major contribution

ITC's Scissors is the brand leader in volumes and Wills Gold Flake family has emerged as the single largest consumer products trade mark in India

able incomes. Players endeavour to add value by improved packaging and marketing. Due to strong brand loyalties and requirement of a vast distribution network, established players are considerably protected from new competition. Earnings are highly defensive as demand is insensitive to economic conditions and equities of brands give pricing power to the established players.

ITC

CMP Rs. 606

ITC, strongly placed in the cigarette sector with a 65% volume share, has an array of brands that enjoy strong consumer franchise. ITC's Scissors is the brand leader in volumes and Wills Gold Flake family has emerged as the single largest consumer

MARKET SHARES OF MAJOR PLAYERS

Company	Volume % share	Value % share
ITC	65	74
VST	13	8
GPI	12	12
GTC	9	5
Others	1	1
Total	100	100

MONTHLY CIGARETTE PRODUCTION IN 1998

January	6,424
February	5,550
March	6,418
April	6,636
May	6,640

Note: Figures in million pieces

INVESTMENT PERSPECTIVE

EXCISE DUTY STRUCTURE

	Budget 97-98* (Rs.)	Budget 98-99* (Rs.)	Increase % YoY
Non filter			
< 60mm	90	100	11
60-70mm	350	370	6
Filter			
< 70mm	500	550	10
70-75mm	820	900	10
75-85mm	1,100	1,200	9
> 85mm	1,350	1,470	9

Note: * For 1,000 cigarettes

from other income. Although ITC has a strong brand equity and its tremendous pricing power enables it to pass on all duty escalations to the consumers, stagnant volume growth has negatively affected its margins. Although the company's operations are cash rich, factors like, (i) stagnant industry growth, (ii) substantial investments planned in hotel and paper businesses, (iii) decision on pending excise cases and (iv) settlement under the Samadhan scheme, will have significant impact on ITC's future cash flows. Valuation at a P/E of 28x on FY98 earnings seems slightly expensive. Buy at declines.

VST Industries (VST)

CMP Rs. 104

VST was incorporated in 1930 in Hyderabad. Engaged primarily in the business of manufacturing and marketing cigarettes, it has an excellent brand franchise, support of its affiliate ITC and the foreign shareholder BAT. VST commissioned its first primary manufacturing facility for tobacco processing in 1990. It has since, continuously modernised and upgraded its primary & secondary tobacco processing and cigarette manufacturing facilities to meet international standards. Its factory is located at Azamabad in Hyderabad. Upgradation and modernisation have led to significant improvement in productivity. Exports of tobacco leaf/cigarettes and agricultural

commodities account for a small part of the turnover. The company has also set up a 100% EOU, VST Natural Products, for processing natural vegetables and oleoresins and exporting them to Canada, US and Hol-

A as a marketing strategy, group insurance has met with limited success. Now companies are planning to give their agents higher commissions to increase revenue from accident insurance

land. VST's three major umbrella brands *Charminar*, *Charms* and *Gold Premium*, have several brand extensions. The company has a reasonably well entrenched distribution network. VST's brands are particularly strong in low and medium categories. It has been unable to build up volumes in the premium king size cigarette segment. In 1994, when the excise duty on non-filter cigarettes upto 60mm length was reduced, VST responded by introducing new brands like *Vijay Deluxe* and *Charminar Standard* which

competed in the lower end of the market and also targeted up-gradation of bidi smokers. Post robust volume growth in FY95 and FY96, increase in excise duty rates on mini and micro segments of the market in the next three budgets led to a slowdown in the demand and growth in the segment. Besides, the increase in state levies and luxury tax have also affected the company's profitability. Moreover, owing to non-integration of operations it is highly dependent on ITC for procurement of tobacco. VST's financial performance has been inconsistent. In FY98, its sales grew by 13.6% YoY. However, net profit declined by 14% YoY. The micro segment has witnessed the highest percentage increase in excise rates, and this has affected the company's profitability as it has been unable to pass on the cost escalations. In Q1 FY99, sales have grown by 18% YoY with a new launch *Charms Blues Kings* driving volume growth. The company recorded a profit of Rs. 15 million against a loss of Rs. 60 million in the corresponding quarter of FY98. Its proposed Rs. 750 million rights issue has been postponed several times with the FIPB failing to approve the proposal to offer the unsubscribed portion to two BAT subsidiaries. The approval would have led to an increase in BAT's stake in the company from 32% to 50%. The company has now withdrawn the proposal and is instead seeking the government's approval for a \$4 million Euro Commercial Borrowing plan. Given the company's erratic performance, valuation at a P/E ratio of 25x on FY98 earnings appears expensive.

Godfrey Phillips India (GPI)

CMP Rs. 303

GPI was incorporated in India in 1936 as a subsidiary of Godfrey Phillips UK. When Phillip Morris acquired Godfrey Phillips UK it automatically took over the 36.2% stake of the British parent in GPI. The other Indian partner K K Modi has around 31.4% stake. GPI is the third largest cigarette manufacturer in India. Its cigarette manufacturing plants, located at Andheri and Thane, have a total manufacturing capacity of 15,000 million cigarettes per annum.

(Continued on page 41)

KEY STATISTICS

	Sales	OPM	PAT	Equity	EPS	Mkt Price	P/E
ITC	68,342	13.8	5,262	2,454	21.4	606	28.3
VST	6,453	2.0	65	154	4.2	104	24.7
GPI	10,145	6.4	386	104	37.1	303	8.2
GTC*	5,102	2.8	(227)	160	(9.5)	6	1.0

Note: * GTC figures are for a period of eighteen months ended March 31, 1998; Market price as on 21/08/98

TOBACCO/CIGARETTES

Bullish signals

ITC and Godfrey Philips are the stocks to be watched.

The cigarette sector index has been in an ascending channel and since the index has made a major bottom in 1996, the index been making higher major bottoms which is a bullish sign. Currently, the 30 WMA is moving sideways and the cigarette sector has been oscillating about this long term moving average.

As the sector has been exhibiting higher major tops and bottoms, the long term relative strength line for the sector is bullish and continues to exhibit strength. Hence, when the market bottoms out, investors must look out for long positions in strong stocks.

The daily momentum indicator for the index has been languishing but the weekly momentum indicator for the stock is over extended and is moving closer to its trigger line.

Thus, when the intermediate momentum indicator for the index moves up then the major trend of the index will also turn up.

This will happen if one or two of the stocks start moving up and goes into a fresh intermediate uptrend. Also, the weekly momentum indicator has also been exhibiting higher intermediate tops and bottoms which indicates that the sector will also follow suit. This is a bullish sign.

A detailed look at the stocks in this sector will give us more insight.

There are only four stocks listed in this sector which have



By MAYUR SHAH

The author is a Mumbai-based technical analyst

been trading regularly at the BSE and hence I will discuss only these four stocks.

GTC

GTC topped out in 1994 and since then has been exhibiting descending intermediate tops and bottoms.

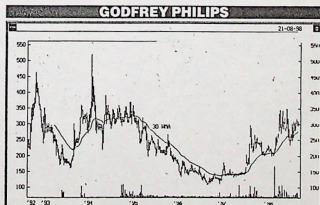
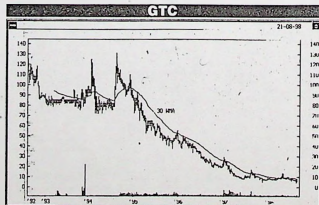
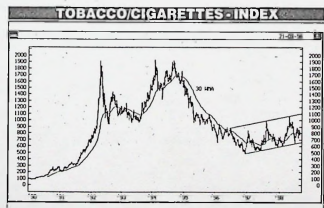
The relative strength line continues to stay below its zero line and though this line has been recently moving up, it is still weak.

There are no immediate signs of the stock bottoming out and investors must currently stay away from the stock. The money flow index for the stock is also bearish. The weekly momentum indicator for the stock has been exhibiting a positive divergence suggesting that the stock is currently falling more due to inertia. The money flow index for the stock continues to stay below its zero line and there are still no indications that the money is flowing into the stock.

Godfrey Philips

Godfrey Philips bottomed out in mid. 1996 and since then has been exhibiting ascending intermediate tops and bottoms. It is one of the very few stocks currently which have been moving contrary to the indices and thus the relative strength for the stock is very bullish.

Hold on to long positions and more long positions in the stock can be added when it pulls back towards its 30 WMA. The money flow index has also been rising and this is also a bullish sign. It suggests, that the money contin-



TECHNICAL ANALYSIS

PERFORMANCE COMPARISON INDICATOR FOR 24-08-98

Security	Closing price (Rs.)*	Price gain (in percentage) over last				
		20 Days	50 Days	100 Days	150 Days	200 Days
GTC	6.25	(-)24.690	(-)30.55	(-)16.66	(-)23.78	(-)50.98
Godfrey Philips	303.00	0.00	7.48	15.64	40.93	27.57
ITC	605.50	(-)15.24	(-)6.52	(-)15.07	1.76	3.28
VST Ind	104.00	(-)1.88	4.00	30.00	(-)14.40	(-)8.97
BSE INDEX	2922.61	(-)7.84	(-)12.69	(-)24.90	(-)17.21	(-)25.71

Note: * Closing figures as on August 24, 1998.

ues to flow into the stock.

ITC

ITC is in a major downtrend but is one of the few pivots which is still exhibiting a bullish relative strength indicating that the fall in the stock has been at a lower pace as compared to the indices.

Thus, though the stock has exhibited descending intermediate tops and bottoms, the investors must hold on to the long positions as the relative strength line for the stock continues to stay above its zero line.

Currently, the intermediate trend of the stock has turned up and the stock will have to move past 726 in this intermediate uptrend if the major trend of the stock has to turn up again.

Also, a higher intermediate bottom in the next intermediate decline will indicate that the major trend of the stock has turned up. As the relative strength of the stock is up, traders must also trade the stock on the long side. Buy the stocks first and sell it later.

Further, as the stock is exhibiting a bullish relative strength, it will continue to outperform the other pivots and the indices.

Godfrey Philips and ITC are better stocks as compared to VST and the trading volumes of these stocks is better than VST. The company is in a confirmed major uptrend and long positions are less risky, while VST will have to exhibit higher intermediate bottoms to confirm a major uptrend

VST

VST has currently moved up sharply after attaining an intermediate bottom of 66.50. This also resulted in the relative strength line for the stock moving above its zero line which is a bullish indication.

The weekly momentum indicator is also above its trigger and zero line which indicates that the bulls are now in charge of the stock.

The current intermediate decline can be used by investors to pick up long positions in this stock.

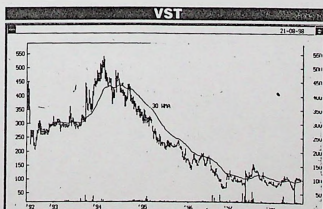
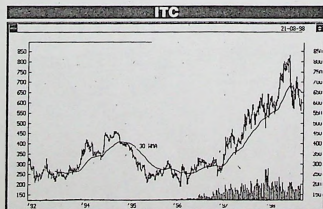
Godfrey Philips and ITC are better stocks as compared to this stock and the trading volumes of these stocks is better than VST.

Also, Godfrey Philips is in a confirmed major uptrend and long positions are less risky while VST will have to exhibit higher intermediate bottoms to confirm a major uptrend.

Investors must always look out for the best sector and within the best sector they should then look out for the strongest of stocks.

TECHNICAL PARAMETERS

Particulars	30 WMA	Major Trend	InterTrend	Minor Trend
GTC Industries	8.08	Down	Down	Down
Godfrey Philips	281.63	Up	Up	Up
I.T.C.	655.67	Down	Up	Down
V.S.T. Industries	96.53	Down	Down	Down



ITC

A lot of fire under the smoke

A multinational giant, blue chip and index mover, this speculator's delight has many skeletons in its cupboard.

By DHRUV RATHI

"Big is beautiful" is the mantra in today's environment of stagnant demand and declining margins. These are the times when scrips of huge companies are highly sought after on the bourses. One such scrip is ITC, the Indian arm of the multinational tobacco giant British American Tobacco Company (BAT).

On the face of it, the company has many attractive features in its annual report. But as the saying goes, "beauty is only skin deep". Once the skin is peeled off, several sores are revealed. ITC has been in the centre of controversies time and again, be it for the biggest excise evasion case in corporate history or for FERA violations. However, this has not dented its fans on the bourses and in spite of all these controversies, the scrip continues to command a high price of Rs.605 per share.

Consider the excise case (see box *The*

Other anomalies

ITC's balance sheets show that it continues to expand the capacity of its cigarette division. At the same time, the capacity is highly under-utilised. In 1995-96, its capacity stood at 73.76 billion units of cigarettes which went up to 78.30 billion during 1996-97. Production in those years stood at only 42.25 billion and 46.09 billion, respectively. Thus, capacity utilisation during this period was only around 58%. Against this, companies like Godfrey Philips have shown workings at levels of up to 136% for the same period.

The company also outsources output on job work basis, which is understandable given its wide product range. Then surely, there is no call to increase capacities at such a time. But ITC is doing just that. Recently, its plan to treble capacities, got official clearance. Incidentally, the government had earlier denied licenses to other players. The rest is best left unsaid. ♦

(in)famous excise exercise on page 28). The Excise board has come down heavily on the company for under-invoicing sales and attempting to defraud the authorities of a sum of Rs.6.82 billion. In such circumstances, some questions which leap to the mind of an analyst are — why are the income flows, on which the excise liabilities have been slapped, not reflected in the revenues? Have they been recorded at all? Some

puzzling questions.

Meanwhile, the excise case could also involve a consequent sales tax liability. If ITC loses the case, it is most likely go before the Supreme Court, where the legal procedure will again take its own time. And if it loses even there, then it will be liable to pay a simple interest at the rate of 13% on the penalty awarded from 1996 onwards to the judgement date. Not much of an opportuni-

ITC AT A GLANCE

	1995-96	1996-97	1997-98
Sales	51,153.50	58,627.70	69,273.70
Excise duty	25,796.30	29,503.30	37,593.10
Net sales	25,357.20	29,124.40	31,680.60
Other income	725.10	975.60	932.10
Operating profit	5,838.70	7,697.70	9,583.40
Interest	839.00	1,200.90	810.10
Depreciation	477.40	630.30	858.50
Tax	1,911.50	2,397.50	2,652.80
PAT	2,610.80	3,469.00	5,262.00
Equity	2,454.10	2,454.10	2,454.10
Net Worth	10,501.40	12,890.50	16,937.70
OPM %	23.03	26.43	30.25
GPM (%)	19.72	22.31	27.69
NPM %	10.30	11.91	16.60
Market Price			605.00
EPS (Rs.)	10.64	14.14	21.44
Book value (Rs.)	42.79	52.52	69.02
Interest cover	6.96	6.41	11.83
Exports (FOB)	5,155.00	5,032.00	NA
Total Debts	2,397.50	2,151.90	NA
Total Assets	6,840.80	9,519.50	NA
Investment	3,172.30	3,020.60	NA
Dividend (Rs.)	2.50	4.00	NA
Debt:Equity	0.68	0.53	NA
P/E			28.21
RONW %	24.86	26.91	NA
ROCE %	30.76	36.92	NA
Adj. ROCE %	30.93	36.89	NA

Note: All figures in Rs.million, unless mentioned otherwise. * price as on (as on 24-8-98)

Source: Annual reports

CORPORATE PROFILE

ty cost, considering the company's return on capital. ITC can definitely utilise the money more gainfully in the meantime. There are other possibilities for easing out, in the shape of the "Samadhan" scheme and such others. The market also hints at an undercurrent of benevolence on the part of the powers-that-be. After all, they do not want another GTC on their hands. It may be recalled that excise enforcements had resulted in that company going sick and the government losing a revenue source. Maybe ITC could get away after all.

Different strokes

The problem does not end there. The Enforcement Directorate (ED) had charged ITC with FERA violation worth \$180 million. The company was accused of under-invoicing its tobacco leaf exports. The ED had acted on the information provided by the US-based Chitalias. These non-resident Indians (NRIs) were paid commissions of 5% on the difference between the under-invoicing and the true value of exports.

The reason behind all this? In 1989, ITC had opened a restaurant named "ITC Bukhara" in New York along with some NRI investors. These investors were promised handsome returns, but the venture ended up making losses. ITC decided to compensate these losses, which it is said to have done through EST Fibres, a company owned by the Chitalias. In 1991, the company also deposited \$4 million in a Swiss bank account of Lokman Establishment, another Chitalia-owned company. ITC Global had worked as a conduit for these transactions. The Chitalias were also compensated by way of other deals like over-invoiced import

RATES OF CIGARETTES

Brand	Price/stick (Pack)	Price/stick (loose)	Excise Duty FY 98
India Kings	2.80	3.00	1.10
Classic Filter Kings	2.15	2.25	1.10
Gold Flake Filter Kings	1.85	2.00	1.10
Wills Filter	1.40	1.50	0.82
Gold Flake Filter/Premium	1.10	1.25	0.50
Bristol Filter	0.93	1.00	0.50
Scissors Filter	0.90	1.00	0.50
Scissors Plain	0.65	0.75	0.35

Note: Figures in rupees
Source: Prime Broking

of waste.

These deals were confirmed by Mr. G.K.P. Reddi, head of ITC's international division, in a confession to the ED. Reddi had also confirmed that he had acted on instruction from the then chairman, K.L. Chugh who was later arrested and imprisoned in the course of these investigations.

The Chitalias account was never squared up—the auditors too raised inconvenient queries. A special audit of leaf tobacco exports, done by SB Billimoria & Co, concluded that ITC routed around \$18.92 million worth of leaf tobacco to BAT through its subsidiaries ITC Global and ITC World Trading Corporation.

In addition, BAT also procured leaf tobacco from ITC through the Germany-based Debis, a trading arm of Mercedes Benz. This, despite the fact that BAT had been importing tobacco directly from ITC for several decades. The ED during its raids on ITC in 1996 had found prima facie evidence of goof-ups in the transaction between the international leaf tobacco division of ITC and the latter's leaf tobacco buyers.

Vindicated?

The company recently did win its case of \$13.5 million against the Chitalias in the US court, but only because the Chitalias refused to submit documents to the judiciary. Market sources are openly hinting at an out-of-court settlement. One possible reason for hiding the information could be that the revelation of the confidential document by the Chitalias to the US Court might have damaged ITC's interests in the \$180 million case pending with the ED.

Meanwhile, this verdict may weaken the ED's case which has been prepared mainly on the evidence furnished by the Chitalias. Interestingly, the ED chief, Bezbaruahas,

who was in charge of the ITC case, has been transferred to another department.

Sources opine that the recent replacement of FERA with FEMA may benefit the company. However, in the event of losing this case, ITC will suffer heavily. The penalty will be much harsher—upto four to five times the disputed amount.

Still in the shadows

All this has been well-publicised. However, there are some dark shades in the bal-

Mathe-magic

ITC's annual report for 1996-97 shows the average unit sales price of cigarettes at 72 paise, which includes average excise duty of 43.3 paise. It indicates that the company manages all cost price of raw material and filter, packaging, advertisement, distribution expenses, operating expenses and profits in the remaining 28.7 paise per stick. In fact, the company manufactures only about 20% production in micro and around 22% production in plain segment which are sold little below the average price. But remaining production falls in the segment of filter cigarettes in regular filters, longs and king-size filters. In fact the company enjoys monopoly in the longs segment. These are much more expensive than the average ones which are sold between Rs.1.15 to Rs.3.00 per stick (see table **).

Even after accounting for dealers' margins and other mark-ups, how the average price of 72 paise was arrived at boggles the mind. ♦

LIST OF SUBSIDIARIES

	shareRs Million	% Share Cap
All India Tobacco Co.	100	159.8
Elan Enterprises	100	48.8
Sage Investments	100	267.3
Greenacre Holdings	100	2.4
Summit Investments	100	573.6
Pinnacle Investments	100	355.7
ITC Infotech (USA) Inc.	100	31.5
ITC Hotels	71.24	302
Srinivasa Resorts	68	179.9
Fortune Park Hotels	99.99	4.5
ITC Global Holdings	100	255.8
Fortune Tobacco, Cyprus	NA	
Fortune Tobacco USA	NA	

The (in)famous excise exercise

ITC is facing one of the biggest excise evasion cases in corporate history. The excise department has slapped an excise duty of Rs. 8.04 billion on the company. This was towards excise on additional amount collected over and above the printed price. The above charge is related to sales in the period from March 1, 1983 to February 28, 1987.

The company is charged with having indulged in unfair practice of colluding with retailers and charging additional amount above the printed price, while paying excise only on the printed price. The commissioner of Central Excise, Delhi also confirmed the huge sum comprising differential excise duty of Rs. 6.82 billion, penalty of Rs. 665 million, personal penalties of Rs. 31.5 million and Rs. 1.18 billion slapped on seven contract manufacturers.

The company is, of course, contesting the case. An amount of Rs. 3.5 billion has already been paid following an order passed under Customs Excise and Gold Control Act (CEGAT). It has also furnished a bond for the remaining amount. Several other cases of excise duty evasions worth Rs. 2.86 billion concerning activi-

ties prior to 1983, are also pending before the court.

Such wrangles have various implications. For one, it appears that the company's system for excise calculation could do with some upgradation. Faulty calculations on a regular scale do not speak well for the co-ordination among the various departments — budgeting, finance, accounts and costing. This, for a company which claims to have "an integrated accounting system which unifies financial and costing records."

There is another unpleasant implication of the affair. Including the incremental amount, duties account for an average of 69% of ITC's gross income during 1985-87. As against that, the period 1993-1997 saw duties decline to 60%. Assuming that the rate remains constant (in times of increasing tax on cigarettes), at 69%, ITC is facing a possible additional liability of Rs. 11.80 billion. This, combined with the Rs. 8.04 billion liability, could wipe out the net worth of the company. Of course, whether the Excise department will manage to garner this amount is another matter. Market speculators appear confident that ITC will manage to find a way out. ♦

ance sheet which have so far evaded the

Unexplained

EW sent a questionnaire to the company, but no response was received. Some of the important queries are listed below.

Q 1. The excise authorities have claimed Rs 8 billion towards increased price charged from retailers during March 1, 1983 to February 28, 1987. How could ITC commit such lapses if your costing, budget, planning and accounts were being properly maintained? If amounts in excess of the printed price were charged, why was it not reflected in the incremental margins or profits during these years?

Q 2. Could you give details of the losses incurred by your three investment subsidiaries on account of the merger of ITC Classic Finance and ICICI?

Q 3. Could you give the reason for expanding capacity despite a low capacity utilisation?

Q 4. Could you give the details of the marine products which are being sold at as high rate as Rs. 371 per kg? Why is the information about stocks and purchases not given? ♦

spotlight.

■ ITC has more than 16 subsidiaries and many other group companies (see table *List of subsidiaries* on page 27). The company's large investments into these companies, accounting for 98% of its total investment, is a cause for worry. The present scenario has seen many such subsidiaries sink and blast holes in the balance sheets of their parents in the process.

■ ITC Classic Finance (ICF) is a classic example and a case-study on how a subsidiary's demise can deal a body blow to its parent. ICF ran into serious financial problems and incurred huge losses of Rs. 2.82 billion in 1996-97. The following six months saw a further loss of Rs. 740 million. The reasons — the high cost of capital, mismatch in tenure of assets and liabilities, rise of non-performing assets with large defaults by corporate clients and lack of appropriate business strategies.

ITC held a 49% stake in ICF which was ultimately merged with ICICI. ICF could not get a good bargain in the share swap ratio, which was worked out at 15:1. At the time of the deal, the ICF and ICICI shares were quoted at Rs. 13.80 and Rs. 74.60, respectively. The swap deal effectively meant that 15 shares worth Rs. 207 of ICF were exchanged for one Rs 74.60 share of ICICI. ITC's justification? "Beggars cannot be choosers".

■ As per reports, the company had also invested about Rs. 4.75 billion into two other subsidiaries, Summit Investment and Pinnacle. In Summit, ITC's investment increased from Rs. 573.60 million (as of

March 1997) to Rs. 1.11 billion the following year. In Pinnacle, the jump was from Rs. 355.8 million to Rs. 4.57 billion. These two, incidentally, also had large stakes in ICF.

■ Other group companies, ITC Global and ITC Agro-tech, have also incurred huge losses. While ITC Global is mired in judicial tangles, ITC Agro-tech has been sold to CAG-Tech (Mauritius).

The parent frowns

Apart from these webs and tangles, there are also internal battles. The company's largest single shareholder (31%), its multinational parent BAT has been involved in boardroom battles over the ITC chairmanship for a long time.

BAT also did not approve of ITC's 1995 decision to foray into the power sector once the latter was decontrolled by the Indian government. The MNC insisted on the removal of the then chairman K.L. Chugh. This led to a prolonged boardroom battle and a truce was arrived at only when Chugh stepped down, months before his tenure ended.

Holding its own

All these problems have been discounted by the market. After being temporarily out of favour, ITC is back with a vengeance. But the heavy incidence of speculation, the intra-day volatility and the extremely high P/E of 28 all call for an investment warning — "Highly priced shares may be injurious to your wealth." ♦

UP IN SMOKE

What are cigarette companies doing about falling volumes?

PALLAVI BHATTACHARJEE

WHAT do you do when you have a problem product? Cigarettes are health hazards, the government uses the industry as an excise milch cow, and there is tremendous competition from an unorganised sector that does not pay excise duty and produces a substitute mass product, the *bidis*, which you can't compete with on price. If you belong to the industry, what strategic tools should you employ to counter a sales slide?

The Rs 7,262-crore cigarette industry saw a volume slide of 8.8% in the quarter ended June. But its biggest worry: volumes in the second-largest selling segment for all cigarette companies — the minis — plummeted by a whopping 22.4% for the same period. And a dip in volumes could mean a slide in profits later.

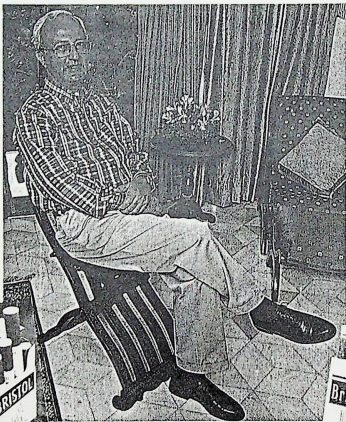
According to the latest National Council of Applied Economic Research (NCAER) report (1996), the cigarette industry grew by a mere 5% a year — not a healthy figure.

The problem cried for a four-step approach. One, analyse what was wrong in the volumes-led micro segment and counter the threat from *bidis*.

Two, work on a product mix that could minimise the high-frequency, heavyweight excise blow.

Three, ensure better production logistics, using backward integration into raw material and packaging to prune production costs.

And four, ensure better brand building by taking tough decisions on which



BLEEP/PRAMES

Anup Singh of ITC says there is scope for further market penetration

the most important brands were.

WHY IS IT HAPPENING?

THE three cigarette majors — ITC, Godfrey Phillips India (GPI) and VST Industries — account for 95% of the 102-billion stick, organised cigarette market. They also have a significant stake in the mini market which accounts for 19% (Rs 1,380 crore) of the organised sector which is competing against *bidis*. On the face of it, it looks like the sale of minis went up. Overall sales in May 1998 zoomed with pre-Budget stockpiling — the Union Budget was announced in June 1998 instead of March — making the comparison with April-June 1999 sales seem more marked. In actual terms, however, the sale of minis has fallen from 1,357 million sticks in April-June 1998 to 1,051 million sticks in April-June

1999 (see box). The reasons vary. "It is essentially a price-led phenomenon," says an unfazed Anup Singh, executive director, ITC, "and there is still space for further market penetration," he continues. Indeed, pricing did have a major role to play in the dip in volumes, especially in the micro segment, which is the closest to *bidis* in price. A 10% hike in excise duty on micros (Rs 110 per 1,000 sticks) in the last Budget affected its competitiveness vis-a-vis *bidis*.

That apart, states like West Bengal and Kerala also imposed a 40% local tax on cigarette

prices, leading to brands like ITC's popular Scissors losing market share across the country, especially in the western region, after its stick price was hiked from Re 1 to Rs 1.25.

On the other hand, GPI and VST have kept prices at Re 1, preferring market

share to value share.

Some industry men believe that the health scare is one of the reasons for the fall in volumes, but statistics prove otherwise. In the US, smoking-associated health hazards have no doubt caught cigarette majors with their backs to the wall. Yet, in India, health concerns are still limited to a small section of the population. In fact, India and China have the distinction of having one of the highest smoking adoption rates among vulnerable 20 year olds. The problem obviously lies elsewhere. "The prime culprit," thinks Anand Halve of chlorophyll, a brand consultancy firm, "is the image factor." The premium tag attached to cigarettes makes consumers in any segment aspire for the high-end brand. This has hit sales directly.

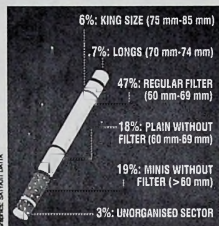
The micro segment — non-filter cigarettes less than 60mm long — was introduced during the late 1980s to take on *bidis*. Cigarettes are categorised according to length for excise reasons. The lowest rate is paid on cigarettes less than 60mm long and the highest on king-sized ones between 75mm and 85mm. In between fall regular plains and filters at 60mm to 69mm and the longs between 70mm and 74mm.

The segment, however, did not take off until former finance minister Manmohan Singh cut excise duty from Rs 100 per 1,000 sticks in 1992 to Rs 60. This enabled cigarette producers to price minis at Rs 1.50 per pack, luring smokers who upgraded to minis from *bidis*.

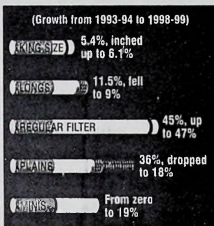
Yet, this didn't last long as consumers felt the new brands launched in the segment — ITC's Hero, GPI's Commando or VST's Vijay — were not the best brands from their stables as they were not the better-known ones. To rectify matters, ITC, GPI and VST launched mini versions of their popular brands like ITC's Scissors and GPI's Four Square.

But as a former cigarette industry hand points out, about 40% of *bidis* smokers are also cigarette smokers and look upon them as a status symbol, to make a social statement among peers. "The dual smoker feels that if he is to smoke cigarettes at public places, it should be a reasonably upmarket brand," he says. Again, a plain cigarette may be priced, say, at Rs 6 a pack, when a mini would cost Rs 2. While the price difference was one-third, the size difference was 10mm. Thus, more plain

COMPOSITION OF INDUSTRY



STAGNATION AND DECLINE



Figures cover only the organised sector

smokers moved to minis than companies would have liked.

Also, where a smoker in socio-economic category D would spend Rs 1.25/stick per brand, he now starts with Rs 2.50/stick per brand. The compromise is that fewer cigarettes are purchased, for 'showing off'. The loser: volumes in the regular segment. This is why the value equation hasn't changed much for firms, while volumes keep getting hit.

This behaviour pattern coupled with the latest excise duty hike has stymied minis' growth. They account for 19% of the total market, whereas the lion's share belongs to regular filters with 47%. Plains account for 18%, longs 9% and king-size for the remaining 6.1%.

WHAT ARE THE CIGARETTE COMPANIES DOING?

THE cigarette companies have decided to focus on brands in the filter segment. True, this segment has grown only by 2% in the last five years, from 45% to 47%. But in the same period, the share of plains fell from 36% to 18%, indicating that filters is where the action will be. "We are focusing on our two key brands — Charminar and Charms — and driving our business through filter variants," corroborates a VST spokesperson.

Yet, market leader ITC is best positioned even in a tough market. Its formula for success: backward integration into tobacco growing and packaging, and the adoption of a portfolio and category strategy. It is present in each of the five categories. In fact, ITC is the only player to have a presence in longs, Wills, by virtue of which other manufacturers call it the 'Wills' category. It also has at least 20 successful brands in each category, thereby creating a portfolio.

So, if Scissors filter becomes more expensive, the consumer may switch to

Scissors Plain. The company is also upgrading its packaging — Bristol was recently relaunched with a flip top.

On the distribution front, ITC is leaving no stone unturned to expand its reach into the countryside. While earlier it used to sell cigarettes wholesale to towns with a population of 10,000, it has begun targeting towns with 5,000 people. Not that ITC brands were unavailable here. But now the company is adopting a more aggressive stance.

And if market sources are to be believed, ITC plans to be available at the retail level in towns with a population of 10,000, whereas earlier the cut-off was 25,000. And this should work in the company's favour as, according to NCAER statistics, the penetration rate of cigarettes is only 250 per 1,000 consumers.

Of course, manufacturers are hoping that there will be a sustained period of revival, where *bidis* smokers upgrade themselves as purchasing power grows. ITC has even hiked capacity in anticipation of this. Since cigarettes constitute only 19% of all tobacco consumption, *bidis* 54% and tobacco products 27%, if even one-third upgrade to cigarettes, companies are in for a possible windfall.

Despite the gloom, there is a silver lining. The markets aren't too perturbed. Says Jal Irani, assistant director, Jardine Fleming India: "The market will look at the value metrics, not the volumes. Currently, the value share is still healthy. So the markets are not unduly bothered. For firms with strong brands, like ITC, there will be little to worry about," he says. Adds another market observer: "It will be another 20-25 years before they are really affected and by then the smart companies would have moved to other businesses." Maybe that's the best way to handle a problem product. ■

CIGARETTE CLEARANCE

(million sticks)

ALL SEGMENTS

	Avg Apr/June 1998	Avg Apr/June 1999
ITC	5,801	5,209
GPI	1,009	997
VST	1,179	989
Other	7,989	7,285

MINIS

	Avg Apr/June 1998	Avg Apr/June 1999
ITC	675	516
GPI	159	163
VST	523	372
Other	1,357	1,051

22 MAY 1998

THE
ECONOMIC TIMES

Grey market puffs out launch of foreign cigarettes

Sudipto Roy

CALCUTTA 21 MAY

THE thriving grey market in foreign cigarette brands is jeopardising the official launch plans of a number of multinationals like BAT, Phillip Morris, Rothmans and RJ Reynolds.

Most of these companies are either waiting in the wings or have just entered the market with such powerful brands as Benson & Hedges, 555, Dunhill and Marlboro. But they are unlikely to go the whole hog unless the grey market is curbed. While the companies themselves don't stand to lose much in that their brands get sold in India in any case, the exchequer is losing crores in unpaid excise duty.

According to industry estimates the government is losing some Rs 120 crore per annum on account of smuggling of foreign brands into the country.

Holding the high tax regime on cigarettes responsible for the present scenario where high-end Indian brands are more expensive than smuggled foreign brands, sources in the industry said the experiment with slashing taxes on the 59 mm non-filter cigarettes category should be followed up with similar reductions in the

higher end also.

The experiment with 50 per cent duty slash on the 59 mm micro filter-less segment resulted in a nine-fold rise in tax collection for the government over a period of just two years between 1993-94 to 1995-96.

Industry sources suggested, "This movement up the revenue ladder can be accelerated if the differential rates of duty on the higher slabs are moderated making it possible for consumers to move up the value scale."

The duty structure on tobacco is highly skewed against the organised sector. The Rs 7,500-crore cigarette industry contributes Rs 4,762 crore to the national exchequer. This is 90 per cent of all taxes collected by the government from the tobacco sector.

However, cigarette manufacturers account only 20 per cent of the national tobacco consumption. The rest is consumed by the unorganised sector like bidis, chewing tobacco and gutkas.

Bidis which account for 53 per cent of tobacco consumption in India contribute only 4.8 per cent of the excise collection. The government's justification for this inequality is that the bidi industry is a major employer and bidis cater to the larger mass of poor Indians.

22/5/98

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29 MAY 1998

Undaunted, tobacco companies unleash hard sell campaigns

By Rupa Chinal

The Times of India News Service

MUMBAI: As yet another 'World No Tobacco Day' is observed on May 31, India is seeing tobacco companies operating as if there is no tomorrow.

While the central health ministry has taken a positive step forward in recommending a ban on tobacco products like ghutka, the finance and agriculture ministries have effectively blocked the way. Even as a recent nation-wide poll confirms how strongly ordinary citizens feel about supporting a ban on tobacco, the government refuses to read the writing on the wall.

Meanwhile, an unprecedented advertising blitzkrieg is seeing high profile tobacco companies linking their brands to images of affluence, healthy lifestyle and smoking and glorification of Western culture and values. Money power has lured sports, music and Bollywood heroes into promoting tobacco brands.

According to Viji Venkatesh, director, Cancer Patient's Aid Society, awareness campaigns conducted in twelve Mumbai colleges highlight tobacco advertisements' forceful impact on youths.

"Such advertisements are catching the attention of youths. It plays upon their desire to get out of the 'vernacular culture' and appear Western. Smoking is associated with people who live the good life, are wealthy, have pretty girl friends, look happy and do unbelievable feats. This is a phase when young people are innocent, irreverent and irresponsible. By the time they want to take responsibility and wish to kick the habit, they are addicted," says Ms Venkatesh.

In the past year, cigarette companies have clearly defined and consolidated their advertising territory in sports such as cricket, tennis and polo. "Older, mature persons are not interested in the projected smoking habits of sports persons

The use of 'role models' to promoting brands is clearly aimed at influencing young, adolescent minds," says Prakash Gupta, senior research scientist at the Tata Institute of Fundamental Research in Mumbai. In instituting 'Bravery Awards', one cigarette company has found an ingenious method of achieving social sanctity and brand popularity, through a year long advertising blitz on television.

Meanwhile, there is a brazen disregard for the law in the absence of an enforcing authority. A hoarding at Mumbai's Marine Drive for instance, blazons a cigarette brand name, while the statutory warning in white lettering merges into a pastel background, and cannot be read even when viewed from up close.

Asian editions of leading U.S. based news magazines have altogether dropped this statutory warning. "When such flouting of the law would not be allowed in their own countries, how is our government tolerating this? Is there no value for the life of this country's youth and their health?," asks a livid Ms Venkatesh. While the Supreme Court came out with an important judgment on banning use of tobacco in toothpaste, no effort at enforcement has been pursued, critics point out.

Sushma Swaraj, the minister for information and broadcasting has protested tobacco advertising on satellite television, but the threat has not moved towards action.

Meanwhile, a determined group of professionals, led by those working in the field of cancer, are galvanising patients to publicly share their experience, raising funds to run counter-advertising campaigns and conduct education and health check-up campaigns. Their immediate target is to force an advertising ban on tobacco, with a long-term goal aiming at obliteration of the tobacco industry and diversification of crop land and employment to horticulture.

THE TIMES OF INDIA
MUMBAI

Going up in smoke

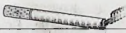
The manufacturers of cheap cigarettes lobby for less discriminatory tax policies

The golden goose of the Indian tax-department is dying. The cigarette industry, which had so far been subjected to ritual annual hikes in excise duties, has now reported its sales going down under the pressure of taxes. This might be encouraging news for ecology enthusiasts and the anti-smoking lobby. But the cigarette industry's swan-song is no frivolous matter for those involved, including tobacco farmers. The industry has been trying to make the tax department understand its plight. However, going by the results, these pleas appear to have virtually fallen on deaf ears.

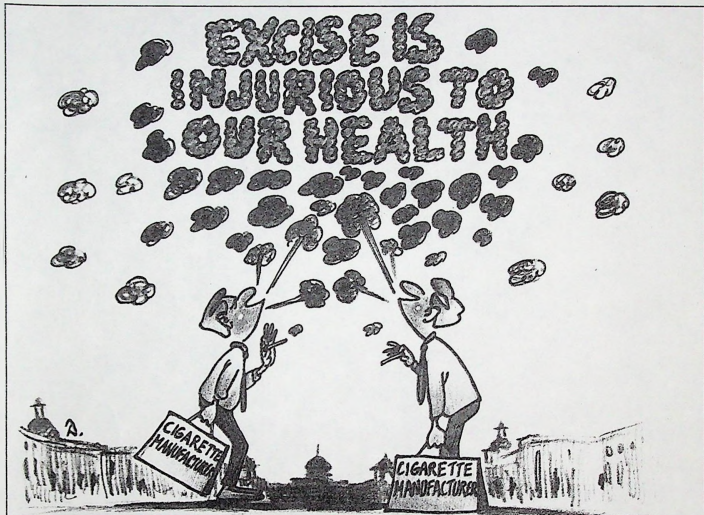
Because of the warped tax structure on cigarettes, smokers are shifting over to costlier and longer fags from smaller and cheaper ones. If you are a smoker, you might just as well do your bit of calculation for tax avoidance. As things stand, you will avoid paying more tax if you go in for the higher priced fags than those costing less. In

fact, the cigarette taxation structure, as it has evolved over the last few years, defy all canons of taxation.

Excise and price relationship



Segments	Brands	Co.	Excise Pre March '97 (Rs./m (Per 100 Pkts Of 10s Cig.)	Excise Post March '97 (Rs./m (Per 100 Pkts Of 10s Cig.)	% Inc	Price Pre Mar '97 (10s Pack Price)	Price as on 15t Apr '98 (10s Pack Price)	% Inc
Filter Kings	Classic	ITC	1070	1100	2.8	18.0	21.0	16.7
	Gold Flake	ITC	1070	1100	2.8	17.5	19.0	10.0
Longs Filters	Wills	ITC	800	820	2.5	13.0	14.9	14.6
	Gold Flake	ITC	430	500	16.3	10.0	12.0	20.0
	Capstan	ITC	430	500	16.3	6.5	8.0	23.0
	Bristol	ITC	430	500	16.3	8.0	9.5	18.8
	Berkeley	ITC	430	500	16.3	8.0	9.8	21.9
	Four Square Special	GPI	430	500	16.3	10.0	11.0	10.0
Plains	Four Square Premium	GPI	430	500	16.3	8.0	9.4	17.5
	Charms	VST	430	500	16.3	7.5	8.0	6.7
	Scissors	ITC	315	350	11.1	6.0	7.0	16.7
	Charminar	VST	315	350	11.1	6.0	6.5	8.3
Micros	Scissors	ITC	75	90	20.0	2.3	2.5	11.1
	Charminar	VST	75	90	20.0	2.3	2.5	11.1



absolute level of tax on cigarettes have imposed a burden on the industry which is now having an adverse impact. Cigarette sales are showing signs of buckling under the weight of taxes. Industry sources revealed first quarter sales growth were virtually negative this year, against 7-9 per cent growth during the corresponding period last year.

As if to take a perverse delight in making things difficult for smokers of cheaper varieties, the last budget raised excise on cheaper brands by a comparatively much higher margin than those on the costlier packs. It raised the duty on plain small cigarettes by 20 per cent and those on small filter cigarettes were raised by a little over 16 per cent. By contrast, the duty on kingsize and longer size cigarettes were hiked by 2.5 to 2.8 per cent only. As a result, smokers are being forced to move from small filter and plain cigarettes to the costlier

varieties. In view of the inverse tax regime, the entire cigarette industry is now readjusting itself. Cigarette manufacturers who earlier catered to the tastes for cheaper cigarettes, are now moving over to produce more costly long and filter cigarettes.

Indeed, if any industry has faced higher and higher imposts year after year, it is the cigarette industry. The only golden exception was during Manmohan Singh's tenure in the North Block, when in one of those more comfortable years he announced a respite for smokers. However, given the state of government finance and ever increasing demands for more revenues to pay, say, salaries of government employees, the industry fears another round of tax hikes. Anticipating this, some sections of the industry now argue that if there are any hikes, let these be confined to the costlier varieties only. In the process, the industry sources

feel that at least some balance could be restored in the comparative incidence of tax on cigarettes of varying prices.

For the tax-man, however, as a member of the central board of excise and customs explained, the reverse structure is an "eminently sensible" way of raising revenues. The top end of the cigarette market — kingsize filters — account for only 5 per cent of the total sales of the industry. "Hence, if you have to mobilise more funds from the smokers, you have got to tax the broad-base rather than impose stiff rates at the top-end of the pyramid," he explained. Chidambaram thought this to be logical and as a result he accentuated a trend which was already there. But, maybe he took it to ridiculous lengths, which left the industry reeling under the "skewed burden". So the industry appeal goes: will the authorities do something to correct the imbalance?

• ANJAN RAY

Company-wise Trends in Production: 1992-93 to 1997-98

	Units	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
ITC	Mln.nos	33278.0	34550.0	37653.0	42251.0	46094.0	51445.0
Godfrey Phillips India	Mln.nos	13096.0	11769.0	12646.0	12332.0	12896.0	13260.0
VST Industries	Mln.nos	14171.0	12710.0	13469.0	15143.0	13545.0	14113.0
GTC Industries	Mln.nos	2219.0	2374.0	2942.0	5562.7	5562.7	7303.3
RDB Industries	Mln.nos			830.4	830.4	547.1	334.3
International Tobacco Co.	Mln.nos	4056.0	4476.0	3901.0	4055.0	4959.0	5677.0
Ragunath Tobacco Co.	Mln.nos					14.1	2.0
Nava Bharat Enterprises	Mln.nos	693.5	693.5	23.2	7.5	7.5	
Laxmi Ventures (India)	Mln.nos		2783.0	4700.0	4700.0		
Total for the sample 9 cos.	Mln.nos	67513.5	69355.5	76164.5	84881.5	83625.4	92134.7
Total production	Mln.nos	67513.5	73362.0	76164.5	84881.5	83625.4	92134.7

Company-wise Trends in Sales: 1992-93 to 1997-98

		1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
							(Rs.crore)
ITC		2752.90	2981.45	3335.72	4105.98	4927.07	5777.88
Godfrey Phillips India		656.30	630.53	698.92	726.95	803.71	925.58
VST Industries		585.70	557.67	597.10	595.73	536.88	619.17
GTC Industries		128.18	147.17	183.39	250.21	250.21	322.28
RDB Industries				14.78	14.78	16.26	13.51
International Tobacco Co.		8.52		0.16	0.76	0.77	3.23
Ragunath Tobacco Co.						0.17	0.04
Nava Bharat Enterprises		10.07	10.07	0.33	0.75	0.75	
Laxmi Ventures (India)			1.62	2.79	2.79		
Total for the above companies		4141.67	4328.51	4833.19	5697.95	6535.82	7661.69
Total sales		4141.67	4328.51	4833.19	5697.95	6535.82	7661.69

Trends in Market Shares: 1992-93 to 1997-98

	(Per cent)					
	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
United Breweries	11.45	33.02	30.42	25.38	25.25	34.42
Mohan Breweries & Distilleries	17.63	12.23	11.06	13.46	12.30	9.63
Skol Breweries	5.98	4.99	5.83	6.25	6.90	7.93
Balaji Hotels & Enterprises					4.71	7.83
Mysore Breweries	4.57	4.48	5.15	5.68	5.43	5.47
Mohan Meakin	8.43	6.89	5.83	5.86	5.88	4.78
Hindustan Breweries & Bottling	5.05	5.03	4.44	4.70	3.99	4.32
Mount Shivalik Breweries	5.88	5.51	4.99	4.24	4.04	3.32
Sica Breweries	1.97	1.53	2.26	2.44	3.50	2.88
Som Distilleries & Breweries			0.23	1.78	2.34	2.77
Total for the above companies	60.96	73.68	70.22	69.78	74.34	83.37
Total for the sample 35 cos.	99.96	99.90	99.88	99.79	99.90	99.74
Import	0.04	0.10	0.12	0.21	0.10	0.26
Herfindahl Index of Concentration	0.081	0.149	0.130	0.109	0.104	0.153

Key Statistics

	Units	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
Production	'000 litres	278215.5	311786.2	324152.8	370046.0	425486.0	433075.0
Export Quantity	'000 litres	1462.8	2277.5	3820.6	4738.0	6372.1	3575.1
Export Value	Rs.crore	2.1	3.9	6.9	9.4	12.0	8.0
Import Quantity	'000 litres	78.8	210.1	231.0	376.0	183.3	585.5
Import Value	Rs.crore	0.2	0.6	0.8	1.5	0.8	2.3
Sales Value	Rs.crore	504.5	585.3	635.3	692.7	725.3	879.7
Market Size (Value)	Rs.crore	504.7	585.9	636.0	694.2	726.0	882.0
Domestic Consumption (Value)	Rs.crore	502.6	582.0	629.1	684.7	714.0	874.0

United Breweries sales increase since 1993-94 is due to merger of various subsidiary and group companies during 1992-93. Associate Breweries Ltd. (manufacturer of London Pilsener, London Diet, London Draught, etc.) with reported sales of around Rs.50 crores during 1997-98 is missing from the above. Bombay Breweries (which was later amalgamated with Herbertsons Ltd.) commissioned its first beer making plant at Talaja (Maharashtra) during 1995-96. This Talaja plant was subsequently acquired by United Breweries. Sales value for most of the companies include traded items or third party processing. Sales value include purchased items also in case of few companies.

will speak on the topic

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At

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All are welcome
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Dr Jayashri Ramakrishna, NIMHANS
Dr Prabha Chandra, NIMHANS
Dr Satish Chandra, NIMHANS
Dr V Ravi, NIMHANS
Dr K S. Satish Wockhardt

Bimbos and Ballot Boxes



It's time parties did a rethink on their choice of candidates

YOU WOULD IMAGINE, WOULDN'T YOU, THAT glamorous parties in Delhi and Mumbai would be the last place you would find prospective members of the Lok Sabha. Well if you did you would be wrong. It is not exactly these watering holes of the idle rich and the socially ambitious that you are likely to run into future politicians these days. Just not. So frivolous and forgetful has Indian politics become that the most empty-headed woman you meet in a Delhi drawing room could well end up as one of the main candidates in your constituency.

Is this what our political leaders mean when they demand that 33 per cent of seats in Parliament be reserved for women? Hopefully not. What it does seem to be though is part of a trend that began when Rajiv Gandhi successfully used filmstars to defeat important politicians in the 1984 election and realised the people of our country are, alas, stupid enough to fall for any old trick.

Since then socialites and bimbos—especially of the slightly over-the-hill variety, for whom domestic and maternal duties have lessened—flock to party offices at election time and often return with tickets to run. Personally I know at least 10 women of the aged bimboing socialite genre who, with alarming suddenness, start spouting political views at dinner parties instead of gossip. This is usually the first sign that political horizons beckon.

The second sign comes when instead of lurching with the ladies they begin to be seen at street corners demonstrating enthusiastically for some obscure cause or the other. Or making a huge noise about their interest in, for instance, the fight against AIDS. Come elections and they are off and away either contesting or campaigning for someone else.

These are our new politicians and it really is time for us to start asking our political parties what they are trying to achieve by inflicting former beauty queens and semi-literate socialites on our already battered political system.

Things are bad enough already, what with actresses with no known political opinion being handed tickets. If the Congress started things off the BJP was quick to follow, adding its own peculiar religious touch to the matter. So instead of just any old actress they gave us Sita (from that *TV Ramayana*) as an MP from Gujarat. She looked really pretty and Sita-ish as she sat demurely in the Lok Sabha. But if she made any political contribution it went unrecorded.

There are those who say that in a free country nobody should be disbarred from participating in the electoral process. But what we need to think about is whether this approach has not led to farce instead of freedom. So we have our former chief election commissioner, the mighty T.N. Seshan,

now agreeing to contest on a Congress ticket. Is this right? Think about it. Here is a man who until not so long ago was in charge of ensuring free and fair elections. Could he have done this if there was always a soft corner in his heart for the Congress? Besides what can he contribute now that he was unable to do in the 40 years he spent as a bureaucrat?

When political parties are questioned about why they hand out tickets to inappropriate candidates, they usually say well-known people find it easier to win. Great. So do dacoits, killers, bootleggers and thieves. Why should we object to Phoolan Devi being given a ticket if she can win her seat? Why should slum lords and sundry gangsters from Mumbai not be sitting in the Lok Sabha since they too can usually win? It is time for our political leaders to start facing the fact that the only reason why they need to resort to the

wrong kind of candidates is because at the organisational level, there has been a frightening collapse in most of our parties.

If this had not happened, then parties would have had within their ranks people who had earned the love and respect of a particular constituency through their work. These candidates would become automatic choices for the Lok Sabha at election time. It is only in the absence of this kind of real politician that our political parties need to parachute in people with recognisable faces, in the desperate hope that charisma will help them win. Fine for the political parties—but what about us?

The Lok Sabha's main purpose is to make the country's laws and to help formulate policies that will help our battered land move towards a better next century than the one gone by. Instead what we have seen is a series of Lok Sabhas that usually make headlines only for their noise and chaos.

The result is in many areas of national enterprise we are guided by laws that are over 100 years old. Can we even begin to think of changing this without MPs who are not serious politicians? This column has pointed out in the past that we need a special parliamentary session on litigation if we are to unplug a judiciary so utterly clogged that it will take 324 years before the cases currently in Indian courts are dealt with.

This past week, when the Congress and the BJP-led National Democratic Alliance released their manifestos, most newspapers wailed that all they were offering were the usual platitudes, promises and populism. Can we even begin to expect better till we get a better class of politicians? And in expecting better we must remember that the rot begins with the choice of candidates at election time. So please, no more bimbos, bandits or blustering bureaucrats. Their place in society is outside the Lok Sabha. ☐

FIFTH COLUMN



by TAVLEEN SINGH

STRIDES TOWARDS COMPETITIVENESS



Speech by
Shri Y.C. Deveshwar,
Chairman, I.T.C. Limited
at the Eighty-Eighth
Annual General Meeting
of the Company
on 30th July, 1999

It gives me great pleasure to welcome you for the fourth successive year after being elected as Chairman of your Company. These last four years have been challenging ones both for the Indian economy and for the Indian industry. India has witnessed five governments during this short period. The country is getting ready for yet another general election. The substantial erosion in the value of the currencies in Russia, South East Asia and Latin America intensified price competition for Indian exports on the one hand, and made imports into India attractive on the other, thereby adversely impacting the financial performance of many Indian enterprises. Investment sentiment has been at a low ebb. The growth rate of the Indian economy came down from 7.8% in 1996-97 to 5.8% last year. This rate of growth is woefully inadequate. According to an estimate of the Confederation of Indian Industry, even if the Indian economy were to grow at 7% per annum consistently over thirty years, the resultant per capita income would barely match the levels obtaining in Thailand today. **It is therefore evident that India must target a much higher rate of growth. Such an ambitious growth agenda in a fast**

globalising environment can only be realised through an accelerated reform process that makes the Indian economy globally competitive and thereby attract commensurate investment.

There is therefore a crying need for a consensus on an economic reform agenda. The unanimous adoption of the Union Budget seems to have helped revive sentiment and there are early signs of economic recovery. The economic resilience that is being demonstrated during an uncertain political phase is indicative of the potential of a much faster rate of growth once political stability is restored and a second generation of reforms takes concrete shape. The globalising market and the prospects of a higher growth rate whilst presenting opportunities, pose formidable challenges.

As I had stated in earlier years, **competitiveness continues to be a compelling agenda for the Indian industry.** The task of transitioning businesses from a relatively protected environment to the rigours of a globalised market requires upgradation of capabilities to international standards. This implies a major change in mindset, backed by substantial investments in modernisation, scaling up and skills upgradation. Such strategic investments would naturally entail gestation drags that would severely test managements for their staying power and commitment to their businesses. **Business portfolios will therefore need to be rationalised and restructured for focused attention so that the deployment of scarce resources is confined to those areas that best match organisational capability with market opportunity.** Those who fail to overcome these challenges would succumb to the severity of competitive pressures, while those who succeed would be handsomely rewarded. It is therefore **imperative to shed preoccupation with the mere maximisation of tactical financial results, and instead focus on building strategic capabilities. A wholesome balance will have to be struck between the short, medium and long terms.**

In line with such reasoning, and with the objective of fashioning a sustainable growth path, I am pleased to state that considerable progress has been made by your Company over the last few years.

PROGRESS IN RESTRUCTURING

Investment Subsidiaries

Further to the status indicated in the Report and Accounts, the statutory approvals for the merger of your Company's investment subsidiaries have since been received and consequently, Suzmit and Sage investment's stake merged with Russell Credit with effect from 1st February 1999. Russell Credit's Balance Sheet size now stands at Rs. 671 crores.

Investments in Edible Oils

Shareholders are already aware that ITC had exited completely from the management of this business by transfer of control of ITC Agro-Tech to ConAgra. Your Company's investment subsidiary Russell Credit, holds a minority interest of 17% in ITC Agro-Tech currently valued in its books at Rs. 53 crores. The market value of this investment as at 22nd July 1999 was around Rs. 71 crores. Further, the Mantralayam facility which was licensed to ITC Agro-Tech and the Mantralayam land are held in your Company's books at Rs. 104 crores. On the basis of the agreements among ConAgra, ITC Agro-Tech and your Company, **ITC would be in a position to disengage from these investments only after October 2000 and redeem these assets on the basis of their market values obtaining then.** Concurrently, the use of the ITC prefix in the name of ITC Agro-Tech would stand withdrawn.

Investments in Financial Services

Following the merger of ITC Classic with ICICI, your Company was to cause the disposal of ITC Classic's investments in the home finance and stock broking businesses. The home finance company has since been sold for a consideration of Rs. 10 crores and an agreement is in place to liquidate ITC Classic's interest in the stock broking business, pending requisite regulatory approvals. Further, negotiations with the Zurich Financial Services group are at an advanced stage for the ITC group's exit from the asset management business of ITC Threadneedle.

As a result of the disengagement from the erstwhile ITC Classic group of companies, your Company's investment subsidiary Russell Credit now holds

shares of ICICI valued in its books at Rs. 5.7 crores. The market value of this investment as at 22nd July 1999 was about Rs. 10.5 crores. In addition, there is an exposure of Rs. 350 crores in the form of preference shares of ICICI, redeemable at par in the year 2018.

Additionally, in the course of such restructuring, your Company and its subsidiaries have had to deploy around Rs. 360 crores in Real Estate projects. Although the real estate market is currently depressed, it is expected that your Company would be in a position to redeem these investments over time at a reasonable surplus. Towards this end, your Company is engaged in creating an organisation and assembling the requisite management skills to chart out development plans for subsequent execution. Opportunities for partnerships with reputed international players are also being explored to realise returns from these assets.

Investments in Paperboards

As a result of the infusion of capital approved by you last year, ITC Bhadrachalam Paperboards Limited has now become a subsidiary of your Company facilitating closer management attention in line with the strategy of focus.

Investments in Speciality Papers

In respect of speciality papers, efforts towards striking a partnership with a suitable international player to reposition this business on a growth path are continuing. This is likely to take time on account of the depressed sentiment in the international markets resulting from the deep recession witnessed in the global paper and pulp industry. In the meantime, vigorous efforts at improving quality and cost standards are continuing to make this business more attractive for potential partners.

The aggregate tie up of funds in what may be termed as non performing assets as a result of restructuring towards disengagement from non core activities, and on account of the excise pre-deposit of Rs. 350 crores, amounts to around Rs. 1,260 crores. The associated drag arising therefrom needs to be kept in mind while viewing the financial results of your Company, particularly in the year under review.

REVIEW OF OPERATING AND FINANCIAL RESULTS

The last year was yet another year of satisfying performance for your Company despite difficult trading conditions. In spite of business sentiment continuing to be depressed in the face of weak domestic demand, extremely competitive export markets and lacklustre industrial growth, your Company continued to post credible results. While turnover grew by 11% to Rs. 7,579 crores, trading profits, at Rs. 1,092 crores, increased by an even more impressive 25% to cross the one thousand crore mark for the first time. After absorbing the additional interest burden as stated earlier, net profits at Rs. 823 crores represented a growth of 18.5% over the previous year. I am sure that these results, seen in the context of declining inflation, atop substantial growth in profits in preceding years, is a source of satisfaction for shareholders.

The last few pages of the Report and Accounts provide at a glance, the progress that your Company has made in operating and financial results. The reserves have more than tripled since 1995 at Rs. 1,988 crores. This enabled the debt equity ratio to be contained at a healthy 0.56:1 despite the substantial increase in the size of the Balance Sheet from Rs. 1,640 crores in 1995 to Rs. 3,486 crores in 1999. This has been made possible by significant improvements in operating cash flows. The capital markets have handsomely acknowledged the performance of your Company, with the growth in market capitalisation of your Company having significantly outperformed that of the BSE Sensex.

Your Board is committed to the creation of long term shareholder value. Each of your Company's businesses is in a different phase of development requiring disjunctive focus and investment for the successful transition from a position of dominance in the regulated market of yesteryear, to a position of leadership in the highly competitive markets of tomorrow. It will therefore periodically review the portfolio of businesses for sustainable competitiveness and take necessary strategic initiatives, including striking strategic alliances and partnerships, and even exiting from a business if the competitiveness objective is not attained with sustainability in a reasonable time span.

The strengthening Balance Sheet of your Company will provide the much needed staying power in building leadership positions in the capital intensive hotels and paperboards businesses, as also in supporting investments in modernising the tobacco, cigarette and packaging businesses.

STRATEGIC PROGRESS IN CORE BUSINESSES

Cigarettes and Leaf Tobacco

Your Company has invested nearly Rs. 500 crores during the last three years towards upgradation and modernisation of its manufacturing and product development facilities. The new plant outside Bangalore, when completed at an estimated outlay of Rs. 450 crores, would provide state-of-the-art facilities for the next millennium. The first module, at an investment of nearly Rs. 100 crores, has now been completed and commercial production is scheduled to commence shortly. Similarly, the modernisation project at the Saharanpur plant has been completed at a cost of approximately Rs. 80 crores. As a result of these investments, the internationally preferred high value "Hinged Lid" form of packaging, which constituted 2.4% in 1995-96 now constitutes 22% of your Company's production. Concurrently, filter cigarettes now constitute 69% as opposed to 60% in 1995-96, thereby providing your Company the benefits of the high value addition. Such investment in brands will continue, with outlay of over Rs. 700 crores envisaged over the next 5 years. Continuous improvement in quality and cost standards has further strengthened your Company's market standing.

The export of leaf tobacco suffered a setback during the year under review as a result of a glut in the international tobacco markets. The adverse impact on the farmer was exacerbated by overproduction by the farmer above the limits mandated by the Tobacco Board. Your Company purchased quantities beyond its immediate requirements as a measure of assistance to the farming community, who are viewed by your Company as long term partners in business. The adversity on the tobacco export front is likely to continue in the foreseeable future. In order to enhance the competitiveness of Indian tobaccos your Company continues to enlarge and upgrade its development and extension services to the farmers. Initiatives are also on the anvil with regard to development of Oriental type of tobaccos, the cultivation of which is highly employment intensive and which

has a growing demand in the international markets. Concurrently, to support export efforts, modernisation plans to upgrade green leaf tobacco processing facilities at an outlay of nearly Rs. 350 crores are in hand for implementation over the next five years.

Hotels and Tourism

Your Company commenced the hotels business way back in 1975. For reasons of competing demands from newer businesses such as financial services and edible oils, fresh investments did not take place at the desired rate in the 80s and the early 90s. As a result, Welcomgroup could not expand its presence to several high potential locations, which would have considerably strengthened the chain. In an endeavour to offer a more complete and attractive chain product to upmarket international and domestic business travellers, an expansion plan involving investments of over Rs. 1,500 crores in the next five years is under implementation. The Rs. 450 crore five star deluxe hotel project at Mumbai is progressing satisfactorily and is slated for opening in October 2000. The civil works for the 100 bay expansion at Maurya Sheraton in Delhi is nearing completion and is planned for opening in March next year. Preparations to commence construction of a second hotel in Mumbai on your Company's land at Parel and a five star deluxe project at Calcutta are at an advanced stage. These projects are likely to be completed by the years 2001-02 and 2002-03 respectively. I am also happy to advise you of the induction of a second hotel into the Welcomgroup chain in Delhi, which is at an advanced stage of construction. On completion of the expansion plans, nearly 1,500 deluxe rooms will have been added to the Welcomgroup chain over the next five years.

These investments, apart from providing an attractive growth opportunity to your Company, would stimulate large direct and indirect employment besides supporting substantial foreign exchange earnings from international travellers. Your Company views these investments as a significant contribution to the development of infrastructure for trade and commerce in the country. Although this capital intensive business carries gestation drags in the short term, the long term potential for earnings and real estate appreciation is attractive. In the globalised world of tomorrow India can acquire a position of leadership in the employment intensive Services business. It is expected that after your Company

acquires a critical size and scale of operations in the Indian market it can successfully venture overseas and acquire a global dimension.

Packaging and Paperboard

Significant progress is being registered in the packaging business of your Company. You would recall my statement last year, that any in-house buyer supplier relationship within the ITC group is governed by a policy framework that provides freedom to the buyer to access the most appropriate inputs from the market. The in-house supplier has to earn the custom through superior quality and cost. You will be happy to learn that the packaging requirements of the cigarettes business, that were earlier being sourced from overseas in pursuit of international quality standards, have now reverted to your Company's packaging business, with considerable gains in efficiency and substantial savings in costs and foreign exchange outgo. This achievement has also provided the packaging business the impetus to grow exports of value added packaging to overseas tobacco companies. While pursuing organic growth, opportunities for acquisitions are also being explored.

You are already aware that ITC Bhadrachalam Paperboards Limited, now a subsidiary of your Company, has been engaged in the stabilisation of the recently capitalised 120,000 tonne capacity plant involving an outlay of nearly Rs. 675 crores. Unfortunately this new investment had coincided with a deep supply demand adversity, both in the domestic and global markets, intensifying price competition, thereby leading to severe erosion in margins. Focused product development efforts together with early signs of revival of the paper and pulp industry give the hope that the turnaround of this business can begin to take place in the not too distant future.

Attainment of international competitiveness by Indian enterprises would largely depend upon the interplay of two mutually supportive ingredients. The first one relates to the vitality of the enterprise in reshaping its business portfolio to align more closely with its unique capabilities, inculcating dynamism in leadership, investing in technology and human skills to nurture core capabilities, and evolving appropriate governance processes to enhance the wealth generating capacity of the enterprise. The second

relates to the vitality of the economy as a supplier of globally competitive inputs and resources. In this context, the social and physical infrastructure in our country needs urgent and quantum upgradation. Equally, the institutional and policy framework needs to be progressively reformed to create a climate in which efficient entrepreneurial activity is rewarded and resources made more productive.

Industry and government therefore need to work in close partnership to fashion a policy framework appropriate to each industry. I would like to place before you an area related to the tobacco industry that requires urgent attention.

REFORM OF THE REGULATORY FRAMEWORK FOR THE TOBACCO INDUSTRY

Expansion of the tax base

It needs to be highlighted that cigarettes constitute a mere 20% of tobacco consumption in India by weight, and that fewer than 15% of the 200 million tobacco users consume cigarettes. Yet these 15% contribute nearly 90% of the revenues to the Exchequer from the tobacco sector. This form of consumption, apart from constituting practically the entire tax base of the tobacco sector, also supports export of cigarette tobaccos which contribute nearly Rs. 1,000 crores in foreign exchange earnings annually. Although tobacco consumers in India aspire to upgrade consumption to the cigarette format in line with international trends, the punitive taxation regime both at the Central and State levels has made it unaffordable to the majority of tobacco consumers, thereby keeping the tax base narrow and much below its natural potential. This has also resulted in the sub-optimisation of rural incomes and foreign exchange earnings from this sector.

An initiative towards expanding the tax base was taken in 1994 by reducing the excise duty on the micro segment from Rs. 120 to Rs. 60 per 1000. Resultantly, the tax base was expanded, with the micro segment growing from a level of 600 million cigarettes per annum to nearly 23 billion cigarettes in 1997-98. Over time the micro segment has come to be taxed at much higher rates, both at Central and State levels, which has now brought about a major

decline in this segment. The year under review witnessed an erosion of about 13% in this segment. Although this segment carries lower margins and has thus not materially impacted the financial results of your Company, the adverse impact on the growth prospects of the tax base is undesirable.

The government needs to moderate the approach to this potentially high growth segment in line with the stability provided to the other segments in the last Budget. It is to be noted that the elasticity of revenues to the Exchequer would be visible over time and would require a patient adherence to the policy of moderation in taxes.

The menace of contraband cigarettes

High rates of taxation, particularly at the upper end, have opened a new niche trade in smuggled cigarettes. Recent conservative estimates indicate that smuggling in cigarettes is causing an unaccounted outflow of foreign exchange upward of Rs. 500 crores and the related loss of revenue to the Exchequer that would otherwise accrue on equivalent domestic manufacture. This contraband trade is estimated to be growing at an alarmingly high rate upwards of 20% per annum.

The menace of contraband cigarettes is well recognised the world over. Since tax is avoided in the exporting country and evaded in the consuming country, given the high tax regime, smuggling of cigarettes has become lucrative and appears to be highly organised. The policy framework related to the tobacco industry needs to take into account the growing menace of smuggled cigarettes and the resultant tax export which is detrimental to the Indian economy.

There are a number of avenues that can facilitate the flow of contraband cigarettes into India. The legal framework related to the import of duty free cigarettes needs to be reviewed as these legal channels provide the opportunity to be used as a cover for supply to the contraband channel. The legal channels that carry such risk of misuse are: the duty free import under the Baggage Rules, duty free shops at international airports, the duty free imports by agents on behalf of embassies and naval ships, and duty free import of cigarettes for re-export. There are hardly any retail shops in the metropolitan cities of Mumbai, Calcutta, Chennai and Delhi where contraband

cigarettes are not openly displayed and sold in large numbers.

The recent announcement towards liberalisation of trade among SAARC countries has exacerbated this menace and provided another channel of entry of contraband into the Indian market. The promotion of international brands in India coupled with the absence of a harmonised tax regime among the SAARC countries, constitutes a very real threat of accelerated growth in contraband flow and consumption.

As an illustration, the excise duties in Nepal on king size cigarettes are one third of that levied in India. The import of international brands of cigarettes is also permitted in Nepal at attractively low rates of customs duty. International cigarettes with Nepalese health warnings can be found in the Indian market in growing numbers. This opportunity has been created for illegal tax arbitrage, constituting a growing tax export and posing a serious threat to the domestic industry and the tax base of the Exchequer from the tobacco sector.

I would make a strong plea that the ramifications of this serious issue are examined by the various arms of the government in conjunction with the tobacco industry in India with the objective of refurbishing the policy framework. It is evident that a combination of moderation in taxes, harmonisation of the tax regime among SAARC countries, plugging of the loopholes related to tax free imports and the strengthening of the enforcement machinery would go a long way in minimising the injury caused by such illegal trade in cigarettes.

On an experimental basis, your Company would be willing to contribute to the cost of strengthening the enforcement measures. This experiment can begin in the metropolitan cities of the country, whereby the seized contraband cigarettes are destroyed thus creating disincentives for the retail trade. The industry forums, with your Company's support, are in the process of making comprehensive and detailed recommendations to the government in this regard and on other measures related to the tobacco industry.

CONCLUSION

Your Company is a leading Indian enterprise. It has the wherewithal to significantly enhance its contribution to the Indian

economy. Over time it can become a major player of international dimensions and create growing value for its shareholders. The ITC Group currently represents a pool of high calibre human resource comprising 2,800 managers, 13,700 employees and an asset base of Rs. 4,700 crores. Although your Company ranks high in terms of market capitalisation among Indian companies, and its size of operations in India is significant, it is still a tiny enterprise when viewed in the international context.

The challenge of attaining international dimensions is at once humbling, inspiring and exciting. In the ultimate analysis, the cutting edge in the realisation of such an aspiration would be provided by the dynamism of its human resource. The secret of creating a winning corporation lies in the appreciation of the potential value of this human capital and in the ability of the distributed leadership within the company to nurture and mobilise such talent. I would like to acknowledge the contribution made by your Company's employees at all levels and seek your cooperation, as always, in support of their endeavour.

Before I continue with the agenda for today's business, I would like to, with your permission, pay a sincere tribute to the valour of the armed forces of our country who fought so bravely to preserve the territorial integrity of our secular nation. I would now request you to join me in observing a brief silence in the memory of those who made the ultimate sacrifice for this cause.



This complete text of Chairman Y. C. Deveshwar's speech has been published in the interest of all shareholders. Please write to Corporate Public Relations Dept., I.T.C. Limited, Virginia House, 37, Chowringhee, Calcutta 700 071 for a booklet of the speech

SHIFTING GEAR

With new models, upgraded technology and competitive pricing, the automobile giant has woken up to the competition. But is it too late?

By SHEFALI REKHI

COMPETITION HAS FINALLY caught up with India's largest car maker, Maruti Udyog Limited (MUL). The Rs 8,118-crore company which produced 3,33,199 vehicles last year is now embarking on a new drive. It will launch more models, chase technology, cut fab and go after buyers with fresh zeal to deal with the ever-intensifying competition in the car market.

Later this week, the company will launch the Zen Classic version. Over the next year the company which has not launched any model since the Esteem in 1994, will add three new cars to its existing seven-model fleet. On the anvil are the Wagon R, Baleno and a New Aito (tentative names) that will help broaden MUL's presence in the Indian car market. Jagdish Khattar, who took over as managing director of the company on August 17, is confident that MUL "will retain leadership in the car market".

That's easier said than done. Between April-June 1998 and April-June 1999, MUL's share in passenger cars slipped from 84 per cent to 69 per cent, even though its sales, including exports, grew by 14 per cent during the period. Clearly, its competitors have grown faster.

THE OVERHAUL

- Launch new models to be present in different segments of the market.
- Reduce production costs by achieving a 85-90 per cent indigenisation for new models within 12 months.
- Revamp marketing by increasing the dealer network from 150 to 300 and focusing on bulk institutional sales.
- Bring down number of vendors and introduce competitive bidding by suppliers.

For instance, Hyundai's small car Santro, which was launched only in October 1998, sold 12,684 cars during April-June 1999. Telco, which introduced Indica in December 1998, has put 7,617 cars on the road in the same period. Even Daewoo, which got off to a slow start because its small car Matiz was priced much higher than expected, had a long list of buyers. The increased competition was one of the reasons why MUL's net profit slid from Rs 652 crore in 1997-98 to Rs 522 crore last year. Hyundai is aiming to sell 55,000 cars this year while Telco has set 60,000 cars as its target. If the two manufacturers achieve their numbers, their sales would be equal to almost half the total number of

Maruti 800s and Zens sold last year.

Khattar is trying to change that by focusing on customer care, putting costs under a magnifying glass and examining ways to increase market reach. Right now, he is busy despatching survey teams to 35 highways to check out the feasibility of setting up a Maruti service station every 25 km. That's not all. Earlier, new colours were introduced every five to six months. Now Khattar promises fresh hues every two or three months. "Buyers have become impatient," he says, "we'll have to give them what they want."

But Khattar knows only too well that in competitive markets, the biggest challenge is

SANJOY GHOSH

Khattar's main task is to retain MUL's leadership in the car market



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10 MAR 1994

THE TIMES OF INDIA
(BOMBAY)

The case against cigarette advertising

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Smrita Deshmukh

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THE Cancer Patients Aid Association (CPAA) is planning to combat "lifestyle advertising" by cigarette companies which has been attracting youngsters towards smoking.

A total management project is in the pipeline which would deal with the disease, awareness, early diagnosis, economic, social and psychological aspects of the problem.

"It is important for voluntary organisations to be financially viable. And the fact remains that major cigarette companies are profit-making ventures and we want them to support this project," asserts Y K Sapru, founder chairman, CPAA.

Thanks to the strong anti-smoking lobby in the US which has seen stagnant sales, Asia and Eastern Europe are fast becoming the new markets of the cigarette companies. Since the restrictions on advertising tobacco products are non-existent, US multinationals have shown good growth in other continents.

Lack of legislation on consumption of tobacco has seen violation of rules by some companies in India too. "While the hoardings have become larger and larger and are placed at strategic

What is the US legislation all about

THE US tobacco industry has agreed to pay \$368.5 billion to more than 40 American states in the next 25 years for public health causes, anti-smoking campaigns and compensation for victims of smoking-related diseases. But the legislation needs to be passed by the Congress and signed by President Bill Clinton.

- If the plan is approved, cigarette vending machines will be banned and all tobacco products will be kept behind the counters in the stores. There will be no cigarette hoarding and signs in stadiums etc.
- The warning on cigarette packages will be bigger, on the front, and more specific, like "WARNING: Smoking can kill you."
- The tobacco industry will pay to enforce federal rules and for anti-smoking advertisements. People who want to quit smoking could also get money for help.
- Tobacco companies would not face future lawsuits from large groups, but individuals could recover money for damages.
- The Food and Drug Administration (FDA), a federal agency in the US regulating the quality of food and drugs, including tobacco, will regulate nicotine as a drug. Under the agreement, the administration could ban nicotine from cigarettes as early as in the year 2009.

locations across the city, the size of the accompanying statutory warning usually retains its original size of 3mm. Many youngsters and even kids are sometimes made part of the marketing campaigns,"

points out Viji Venkatesh, director, Diagnostic services, CPAA. Despite three million cancer patients and around six lakh that are added to this number every year, India's health budget

continues to be 0.5 per cent of the GNP. Around 20 lakh youngsters join the smoking community every year without knowing that the habit results in dependency on nicotine — a condition not different from addiction to heroine or cocaine.

According to the projections of the World Health Organisation, India is among the three countries on the verge of a cancer epidemic.

So far the CPAA has given total management support to 15,000 cancer patients and have rehabilitated 700 families in the past seven years. "In India, 70 per cent of cancer is caused by social and hygiene factors — usage of tobacco, early marriages and multiple pregnancies. All of which is can be avoided. If cancer is diagnosed early, then the cure rate is 70 per cent," explains Venkatesh.

The organisation's biggest asset is the Cancer Insurance Policy which has over 6,000 policy holders. "The policy is a result of our association with the New India Assurance and is approved by the Centre. People have to just pay Rs 6,400 once and CPAA takes care of all the premiums. If the policy holder gets cancer, we provide him compensation upto Rs 20 lakh per year till the disease is cured," states Venkatesh.

5-9 MAR 1988

THE TIMES OF INDIA (MUMBAI)

CNC

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Curbed in West, cigarette firms set sights on Asian market

By Rupa Chinai

The Times of India News Service

MUMBAI: Driven by the slogan 'We want Asia', yet another brand of international cigarettes has joined the pack of companies in the assault to hook India's vast consumer market to the cancer stick.

The last few weeks in Mumbai have seen children from middle-class families, dressed in a particular cigarette company's landmark gold and black colours, dispensing free cigarette packets yet again at street corners at Churchgate and Breach Candy. They are paid Rs 500 for 21 days' enlistment.

Facing stringent curbs on advertising and promotion, as also punishment fines if youth smoking

prevalence fails to decline in Western countries, cigarette companies are turning their attention to Asian markets where virtually no controls exist.

In India, the quest for 'gold' has reached new heights of assault in the past months, with every imaginable surface and exterior aiming at luring impressionable youth into this deadly addiction, protests the Cancer Patients AID Association, which is based in Mumbai.

More than 600,000 people in India die every year, and what is worse, die prematurely, due to tobacco addiction, says Viji Venkatesh, director of diagnostic services of the Association. Every year, two million youngsters are enticed by the blitzkrieg of tobacco

promotion through advertising, sponsorship and promotion which creates an environment that encourages new smokers to try tobacco and, at the same time, weaken user's resolve to try and quit. Presently, 20 million young adults in India are already addicted to tobacco in one form or the other, she adds.

How is society and government to respond intelligently to this formidable health challenge? Are there any international experiences India can draw upon? The recently published Harvard Report on Cancer Prevention (November 1997), supported by the Harvard School of Public Health, Boston, U.S., presents an array of experiences, backed by studies to show that

some strategies do work.

A key insight into this report is that if prevention is to be successful, a comprehensive array of components are required through government and community action, which creates an environment for health consciousness and an awareness of the risk factors.

"Repeatedly, it has been seen that interventions that focus on only one component of the strategy fail or achieve only minimal shifts towards lower cancer risk. For major reductions in the burden of cancer to be achieved, we need broad-scale interventions that will shift the behaviour of the whole population. Rather than focus solely on individuals defined as being at 'high risk', a shift in behaviour by

the whole population can achieve greater reductions in cancer," the report observes.

While an earlier Cancer Report of 1996 reviews the causes of human cancer, identifying smoking, diet, sedentary lifestyle, occupational factors, viruses and alcohol as potential sources of cancer risk, the 1997 report summarises research on prevention programmes, public education campaigns, and social policy measures for preventing cancer.

A reading of these reports point to public health messages that would encourage changes in our daily lifestyle. For instance, lack of activity is a defined cause of colon cancer. Having the total population increase their weekly activity by

the equivalent of 30 minutes of brisk walking per day would result in a 15 per cent reduction in the incidence of colon cancer, it says.

In addressing sedentary lifestyle, public and environment policies can powerfully encourage physical activity. Examples include the construction of sidewalks, bikeways and safe recreational spaces. The report highlights the special vulnerability of low-income groups, their lack of access to health-giving products and physical space. It also speaks of institutional settings that could encourage exercise through well-lit and safe staircases, for instance.

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The Hindu, Saturday, January 20, 1996.

Tobacco companies in sports: NOTE to seek legal remedy

From Our Special Correspondent

BANGALORE Jan. 19.

The National Organisation for Tobacco Eradication (NOTE), comprising among others, cancer specialists, has decided to seek legal remedy over the increasing manner in which sports tournaments were being funded by tobacco companies.

Dr. B. S. Srinath, Secretary, NOTE (India) and Director of the Bangalore Institute of Oncology told *The Hindu* here on Thursday that the regional chapters of the NOTE in Madhya Pradesh and Goa apart from the Karnataka Chapter would have no choice but to approach the Court to prevent a tobacco company from sponsoring the World Cup Cricket. It should however not be construed that cancer specialists were against the World Cup Cricket as was being made out in certain quarters, he said.

The NOTE's opposition stems from the fact that most cricket fans in the country were in the younger age groups and the cigarette advertisements to be put up by the company were bound to draw the attention of the younger generation. As per an estimation, nearly 30 crore people

were expected to watch the tournament and at least half of them would ultimately end up tobacco consumers, Dr. Srinath said. It is pointed out that according to studies on tobacco consumption conducted by NOTE, it was easy to attract a person to tobacco but extremely difficult to wean him away from it. While tobacco consumption in the West was declining fast, it was the reverse in the developing countries, particularly India, where tobacco consumption was galloping in recent years.

As per a study, the turnover of the cigarette companies in the past year had shot up to Rs 18,000 crores, indicating a 30 per cent increase over the turnover of 1991.

The NOTE has expressed its unhappiness over the vacillating policies of the Union Government vis-a-vis tobacco. "In so far as the role of the Government in regulating the cancer inducing substances is concerned, there has been no rational policy or a consistent ethical stand, and this has largely been responsible for increase in the incidence of cancer and other diseases. It has been well established that 50 per cent of the cancer cases were induced by tobacco".

PH 3

WORLD NO TOBACCO DAY



Bob, I've got cancer.

Tobacco kills - don't be duped. It should not be advertised, glamorized or subsidized.
WORLD NO TOBACCO DAY 31 MAY

Tobacco Kills. Don't be Duped

31 MAY 2000



REDUCING THE GLAMORISATION OF TOBACCO IN MOVIES, ON TELEVISION AND IN MUSIC VIDEOS

Four Steps The Entertainment Industry Can Take to Reduce the Glamorisation of Tobacco

When tobacco is glamorised in movies, on TV and in music videos, it sends a powerful message to young people that tobacco use is both appropriate and desirable.

Following are four steps the entertainment industry can take to discourage teenage tobacco use:

1. **Avoid glamorising tobacco.** Refrain from portraying tobacco use as something that is exciting, cool or sexy and linking tobacco with adventure, fun and celebration.
2. **Creatively substitute other props.** Consider means other than tobacco-type clichés for portraying rebellion, celebration and relaxation.
3. **Portray the reality of tobacco use.** People become sick and die from using tobacco. Most smokers would like to quit but have a difficult time because of the highly addictive nature of nicotine. Environmental tobacco smoke impacts the health of non-smokers. The majority of people in the world do not smoke and prefer to live in a smoke-free environment.
4. **Work toward reducing overall tobacco use.** Avoid creating an image that smoking is a normal, daily activity. Refrain from having characters use tobacco in inappropriate situations such as around children, in medical care facilities and in non-smoking areas.

Three Other Actions That Will Make a Difference

Watch what you are watching. Inoculate yourself against the pro-tobacco messages you receive from entertainment productions. Recognise that movies and TV are for entertainment and that they rarely reflect reality. Tobacco use is not exciting or glamorous. Many stars have died from tobacco-related diseases.

Encourage others to watch what they are watching. As a young person, talk with your friends about tobacco use in the movies and on TV. As a family, watch movies or TV and discuss the difference between the portrayal and reality of tobacco use. As a teacher or youth group leader, consider teaching a unit on critical viewing skills.

Work to raise public awareness. Host local youth-based media events around the time of the Oscars or your local award ceremonies. Contact your local movie and TV critics and ask that they write articles on the issue. Copy and distribute this packet at health fairs, World No Tobacco Day, and other events that promote health and/or tobacco education. Be creative!

Why Is Tobacco Included in Movies and on TV?

There are several reasons why tobacco finds its way into movies and TV programmes.

It is a convenient prop. If you want to establish that a teen is rebellious put a cigarette in his or her hand.

It may depict reality.

It can reflect the personal attitudes and use of tobacco by writers, directors, actors and actresses.

It may result from direct or indirect influence by the tobacco industry.

It may be used as a marketing tool to reach specific audiences.

Do a Study

Many studies have been conducted to test the manner and frequency of tobacco usage in the movies and on popular television programs. An example of one such study comes out of California in the United States. It was conducted by Thumbs Up! Thumbs Down!, a project of the American Lung Association of Sacramento-Emigrant Trails. The study looked at all movies with a domestic box office income of more than \$5 million in the time frame from May 1994 through April 1995. It reviewed television shows over a six-week period in the spring of 1996. These are movies and programs that are screened all the world, not just the US, and have enormous appeal to teenagers everywhere. Following are the key findings:

- **Hollywood gets a Thumbs Up! and a Thumbs Down! in the amount of tobacco use.** Approximately 50% of the 133 movies reviewed had zero to 10 incidents of tobacco. The other half ranged from a moderate 11 - 20 incidents to a smoke-filled 100 plus incidents. Television fared better with only 15% of the 238 episodes watched containing tobacco. Overall, movies averaged 10 incidents per hour and television two.
- **Use varies considerably by studio and network.** Studios with low tobacco use included Walt Disney Pictures, Twentieth Century Fox and Hollywood Pictures. On the high side were Miramax, Castle Rock and Warner Brothers. On television, ABC had the lowest incidence while Fox was highest.
- **Leading actors are more likely to light up in the movies.** In the movies and television programmes which included tobacco use, one or more leading actors and actresses lit up 82% of the time in movies and 57% of the time on TV.
- **Cigarettes and cigars are the tobacco of choice.** In the movies where tobacco was used, 86% displayed cigarette use, 52% cigar use, 12% pipe use and 7% smokeless tobacco. On television episodes with tobacco use, 67% displayed cigarette use, 42% cigar use and 3% pipe use. There was no smokeless tobacco use displayed.

So What If Your Favourite Actor Lights Up on Screen?

The entertainment industry has a pervasive influence on our society. While movies and television may reflect our life styles, they also help define them. The power of the entertainment industry in influencing young people suggests that it also has a responsibility to monitor and reduce the potentially negative impact of its messages on this audience. *One area where it can play a particularly important role is in helping to discourage tobacco use.*

Basic Tobacco Facts

Tobacco kills 4 million people a year around the world. According to the World Health Organization, it is the single most preventable cause of death and disease in the world. In addition to the tremendous suffering it creates, tobacco use costs the United States alone close to \$100 billion annually in health care and days missed from work. Do you know what the costs are in your own country? It is a price we all help pay, whether we smoke or not.

Adults Don't Make the Decision to Start Smoking: Young People Do

Each day between 82,000 to 100,000 teenagers light their first cigarette. Tobacco use starts in early adolescence. Almost all first-time use occurs before graduation from high school. People who start smoking at an early age are more likely to develop severe levels of nicotine addiction and are more likely to die early of a tobacco-related disease than people who start later.

Why do young people start? A teenager is much more likely to light up if his or her parents, brothers or sisters smoke. Peer pressure is also a powerful influence. The most common offer of a first cigarette is from a friend. Certainly, the massive advertising campaign carried out by the tobacco industry plays a part. Billions go toward making the Marlboro Man and his counterparts attractive to children. Whether it is popularity, beauty, adventure, wealth or uniqueness, the tobacco industry and its legion of public relations firms have a multitude of ways suggesting it can be had for the price of a puff. Kids with low levels of self-esteem and a sense of alienation are especially vulnerable to the industry's relentless campaign.

The Role of the Entertainment Industry

What role does the entertainment industry play in this process? When tobacco is glamorised in movies, on TV and in music videos, it provides a powerful message that tobacco use is an appropriate and even desirable activity. Whether the glamorisation is intentional or not, it reinforces the multi-billion dollar advertising campaign carried out by the tobacco industry. In some ways, it may be even more effective. No warning label is required when actors and actresses light up. What the young person sees is someone he or she looks up to, living a life that he or she would like to live, and doing it while using tobacco.

There are three major ways tobacco use is glamorised:

It's fun. Cool, attractive and successful people light up and they use tobacco while they are doing exciting things.

It represents rebellion. Lighting up becomes a symbol for challenging a repressive system, whether that system is your parents or the government.

It's a way of relieving stress. As tension mounts, people light up.

Watch What You Are Watching

How do your country's movies and television programmes fare? It would make for an interesting project. Why don't you find out?

Whether you are sending a message to Hollywood or your local entertainment industry, discussing tobacco use with your family, or working on a class or group project, the following questions and methods utilised by the Thumbs Up! Thumbs Down! project should help in your efforts.

How much tobacco use is shown? The easiest way to determine the extent of tobacco use is to count incidents. While there are various ways of counting, the method used by Thumbs Up! Thumbs Down! is to consider each time tobacco is shown on the screen as an incident. For example, two people smoking at the same time on screen are considered two incidents. When a hand holding a cigarette moves off screen and then back on and when a camera refocuses on a person smoking are also considered separate incidents. More than 30 incidents in a movie and over 10 incidents on a television programme reflect relatively high use.

What type of tobacco is being used? The type of tobacco being used in movies and on TV can encourage or discourage certain trends in tobacco use. For example, the prominent use of cigars in recent movies and TV shows in the US has likely played an important role in the increasing incidence of cigar use in the US.

Who is using tobacco? Major characters who are played by popular actors and actresses carry out much of the tobacco use in movies and on TV. Many of these characters, actors and actresses serve as role models to young people. When these role models light up, it sends a powerful message that smoking is OK.

How is tobacco use being portrayed? The way tobacco use is portrayed is an important factor in encouraging or discouraging tobacco use. When the entertainment industry shows tobacco use as fun, suggests it's a way of rebelling and establishing independence, or shows it as a means of relaxing and dealing with stress, it sends a message that using tobacco is a highly desirable activity. When the entertainment industry suggests that tobacco use is unhealthy or addictive, portrays a character strenuously objecting to breathing second-hand smoke, or shows some of the more unattractive aspects of tobacco use such as smelly clothes and stained teeth, it sends the message that one should avoid tobacco use.

Advocacy Activity for Teens

Youth advocacy efforts are an important way to reduce the influence and amount of positive tobacco portrayal in movies and on television. Here are some suggestions:

1. Teens can write to the actors and actors to express their concern over how tobacco use is portrayed on screen. Simple form or hand-written statements or letters to actor/actress, production company, or anyone actively involved in decision making, will let them know that the amount of tobacco use does not go unnoticed and is undesirable. The youth may also send letters of recognition to those who convey an anti-tobacco message to encourage and congratulate their efforts.
2. Produce a slide with an anti-tobacco message that could be shown prior to movie trailers or previews. Contact your local theatre to find out if they will show it.
3. Send a petition to a particular actor, director, or producer signed by youth. This petition can express their concern regarding how tobacco is being portrayed.
4. Do a pre and post test at a movie theatre. Survey moviegoers about their impression of tobacco and cite some facts. After the movie, survey the same audience to see if their impression/reaction changed.
5. Get permission from a movie theatre and hand out a movie evaluation form for the audience to fill out. For example, the release of the Hollywood movie "The Insider" may be a good opportunity to do this.
6. Have youth create a list of movies that contain smoking scenes.
7. Encourage teens to write letter/article in school newspaper. Include a list of celebrities who have died from smoking related diseases. (See List of Celebrities Killed by Tobacco)

These are just a few of the ways to encourage critical thinking while deglamorizing tobacco use. The goal is to encourage the movie and television industry to stop portraying tobacco as being a desirable activity.

CELEBRITIES KILLED BY TOBACCO

The following is a list of prominent international celebrities who have died from smoking, their age, and the cause of death. Please help us put together a similar list for your own country or region (Courtesy of the Entertainment Industry Council's Tobacco in the Media Project and "Cigarette Hall of Fame," a report by the Roswell Park Memorial Institute).

Nat "King" Cole	45	Lung Cancer
Mary Wells	49	Throat Cancer
Steve McQueen	50	Lung Cancer (also worked with asbestos in shipyards)
Rod Serling	51	Heart Disease (4 packs a day)
Eddie Kendricks	52	Lung Cancer
Michael Landon	54	Pancreatic Cancer (4 packs a day)
Lee Remick	55	Lung & Kidney Cancer
Betty Grable	57	Lung Cancer
Edward R. Murrow	57	Lung Cancer
Humphrey Bogart	57	Throat and Oesophagus Cancer
James Franciscus	57	Emphysema
Dick Powell	59	Throat Cancer
Gary Cooper	60	Lung Cancer
Chet Huntley	62	Lung Cancer
Dick York	63	Emphysema
Sammy Davis, Jr.	64	Throat Cancer
Walt Disney	65	Lung Cancer
Yul Brynner	65	Lung Cancer
Tallulah Bankhead	65	Emphysema
Sarah Vaughan	66	Lung Cancer
Colleen Dewhurst	67	Lung Cancer
Harry Reasoner	68	Lung Cancer
Alan J. Lerner	68	Lung Cancer
Desi Arnaz	69	Lung Cancer
Nancy Walker	69	Lung Cancer
Buster Keaton	70	Emphysema
Neville Brand	71	Emphysema
Art Blakey	71	Lung Cancer
Ed Sullivan	72	Lung Cancer
Duke Ellington	72	Lung Cancer
John Wayne	72	Had Lung Cancer and survived bypass surgery,
Lucille Ball	77	Heart Disease (aortic aneurysm)
Denver Pyle	77	Lung Cancer
Lillian Hellman	79	Emphysema
Robert Mitchum	79	Emphysema
Arthur Godfrey	81	Lung Cancer
John Hust	81	Emphysema
Bette Davis	81	Stroke

Many of these stars also appeared in ads promoting cigarettes.
Many of the victims were sick for more than ten years before dying.

Freely adapted from "Thumbs up! Thumbs Down! Advocacy Information Kit".
American Lung Association of Sacramento-Emigrant Trails.



Tobacco Free Initiative
World Health Organization
Avenue Appia 20
1211 Geneva 27
Switzerland
Tel: +41 22 791 21 08
Fax: +41 22 791 48 32
E-mail: tfi@who.int
Website: <http://www.who.int/toh>

Subject: Meeting on tobacco, health and development: 12th September 2002

Date: Tue, 3 Sep 2002 11:18:34 +0100

From: Roger Drew <drew.r@healthlink.org.uk>

- 1. "Admin@BeFriends.Org (E-mail)" <admin@befrienders.org>
- "AJ Oliver (E-mail)" <A.J.Oliver@lsc.ac.uk>
- "Alan Beattie (E-mail)" <a.beattie@ucsm.ac.uk>
- "Alastair Burn (E-mail)" <aburn@rydercheshire.co.uk>
- "Alex Rosdol (F-mail)" <a.k.rosdol@lsc.ac.uk>
- "Amalos@Bond.Org.Uk (E-mail)" <amalos@bond.org.uk>
- Andrew Chetley <chetley.a@healthlink.org.uk>
- "Andrew Pendleton (E-mail)" <apendleton@christian-aid.org>
- "Anna Thomas (E-mail)" <anithomas@christian-aid.org>
- "Anthony Costello (E-mail)" <a.costello@ich.ucl.ac.uk>
- "Balwani Singh (E-mail)" <bsingh@ifh.org.uk>
- "Barbara Judge (E-mail)" <Barbara.Judge@lshtm.ac.uk>
- "Bridget Sleep (E-mail)" <bridgets@panoslondon.org.uk>
- "C Mears (E-mail)" <cmears@redcross.org.uk>
- "Carlos Grijalva (E-mail)" <C.Grijalva@ich.ucl.ac.uk>
- "Chiara Carcianiga (E-mail)" <Chiara_Carcianiga@lepra.org.uk>
- "Christiane Fischer (E-mail)" <hukopharma@compuserc.com>
- Clare Haskins <haskins.c@healthlink.org.uk>
- "Clive (E-mail)" <c.nettleton@healthunlimited.org>
- "Costanza de Toma (E-mail)" <cdetoma@bond.org.uk>
- "Craig Burgess (E-mail)" <craig@merlin.org.uk>
- "David Woodward (E-mail)" <woodwardd@who.ch>
- "Di (F-mail)" <dross@ifh.org.uk>
- "Dorothy Flatman (E-mail)" <d.flatman@wcf.uk.org>
- "Doug Soutar@Lepra.Org.Uk (F-mail)" <doug_soutar@lepra.org.uk>
- "Elena Medt (E-mail)" <e.medt@tiscalinet.it>
- "Emma Back (E-mail)" <e-back@dfid.gov.uk>
- "Iona Heath (E-mail)" <pe31@dnal.pipex.com>
- "Jane Banez Ockelford (E-mail)" <janebanez@aol.com>
- "Jane Betts (E-mail)" <jane.betts@worldvision.org.uk>
- "Jancc Rambocus (F-mail)" <jancc.rambocus@stopes.org.uk>
- "Janine Fearon (E-mail)" <janine@fearon28.freemove.co.uk>
- "Jean Jones (E-mail)" <jeani@tlmew.org.uk>
- "Jeff Collin (E-mail)" <Jeff.Collin@lshtm.ac.uk>
- "Jenny Brown (E-mail)" <JBrown@christian-aid.org>
- "Jerry Clewett (E-mail)" <j.clewett@healthunlimited.org>
- "Jo Best (E-mail)" <JBest@redcross.org.uk>
- "Judith Cook (F-mail)" <nick.alex@virgin.net>
- "Kelley Lee (E-mail)" <k.lee@carc4free.net>
- "Laura Ferguson (E-mail)" <L.Ferguson@AMREF.org>
- "LBANNIST@helpage.org (E-mail)" <LBANNIST@helpage.org>
- "Lidia Simbitseva (E-mail)" <simb@comset.net>
- "Lucien Bigeault (E-mail)" <lucien.bigeault@freesbee.fr>
- "Malayah Harper (E-mail)" <m-harper@dfid.gov.uk>
- "Manjitk@Echohealth.Org.Uk (F-mail)" <manjitk@cchohealth.org.uk>
- "Margaret Reeves (E-mail)" <margreeves@yahoo.co.uk>
- Melaina Barnes <barnes.m@healthlink.org.uk>
- "Melany Zipperer (E-mail)" <zippererm@who.ch>
- "Mick Matthews (E-mail)" <mickmatscon@gn.apc.org>
- "Mike Rowson (F-mail)" <mikerowson@medaet.org>
- "Modonohue@Cafod.Org.Uk (E-mail)" <modonohue@cafod.org.uk>
- "Mona@Map-uk.org (F-mail)" <Mona@Map-uk.org>
- "Mwajuma Masiganah (E-mail)" <masaigana@africaonline.co.tz>
- "Nick Pahi (E-mail)" <n.pahi@helpthehospices.org.uk>
- "Nick Priggis (E-mail)" <nick.priggis@worldvision.org.uk>
- "Onkar Mitai (E-mail)" <o.mitai@dfid.gov.uk>

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is imp - pl. to rowe
- for library resource file in
Tobacco Industry

SW
4/9

- "Pam Zinkin (E-mail)" <pamzinkin@gn.apc.org>,
- "Paul (E-mail)" <paul@somhealy.demon.co.uk>,
- "Penelope Key (E-mail)" <Penekey@btinternet.com>,
- "Peter Poore (E-mail)" <PDPoore@aol.com>.
- "Peter Raven (E-mail)" <praven@international-alert.org>,
- "Ravi Narayan (E-mail)" <sochara@vsnl.com>,
- "Regina Keith (E-mail)" <r.keith@scfuk.org.uk>.
- "Richard Lansdown (E-mail)" <r.lansdown@ich.ucl.ac.uk>,
- Rosemary Gilbert <rosemary.gilbert@befrienders.org>,
- "Rosemary Rodgers (E-mail)" <rrogers@rcgp.org.uk>,
- "Ruairi Brugha (E-mail)" <Ruairi.Brugha@lshtm.ac.uk>,
- "Sandhya Sasury (E-mail)" <sandhya.sasury@stopes.org.uk>,
- "Sandra Kabir (E-mail)" <skabir@rhac.org>, "Scott Hardie (E-mail)" <S-Hardie@clfd.gov.uk>.
- "Sheila Davie (E-mail)" <resultsuk@gn.apc.org>, "Susan (E-mail)" <scrane@ifh.org.uk>.
- "Susan Fallon (E-mail)" <stallon@projecthopeuk.org>.
- "Tim Cullin (E-mail)" <Tim.Cullinan@merlin.org.uk>

Hi

Please find attached a paper by Jeff Collin of LSHTM which will be the basis of an introductory talk he will give at the next meeting of the Health and Development Forum on 12.9.02. If you are planning to attend, could I ask you to contact Anna Malos at BOND. Her e-mail address is malos@bond.org.uk


Best wishes

Roger Drew
 Executive Director
 Healthlink Worldwide
 Cityside
 40 Adler Street
 London
 E1 1EE

Direct Tel 020 7539 1577 (Mon-Thu)
 Fax 020 7539 1560
 E-mail: drew.r@healthlink.org.uk

Healthlink Worldwide - communicating through partnership

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TOBACCO, HEALTH AND DEVELOPMENT: AN INTRODUCTION

Jeff Collin

Centre on Global Change and Health, London School of Hygiene & Tropical Medicine

The World Health Organisation (WHO) is in the process of negotiating its first international public health treaty, a proposed Framework Convention on Tobacco Control (FCTC). A major stimulus to this initiative has been recognition of the escalating burden arising from tobacco consumption and production in low- and middle-income countries, with serious and diverse social, economic and environmental impacts in addition to enormous implications for global health. With one or two exceptions, however, the development community has generally been slow to respond both to the challenges posed by the tobacco industry and to the opportunities presented by the FCTC process. This short paper highlights the importance and value of engaging with tobacco control for NGOs working with development issues, and provides links to easily accessible sources of further information. It serves as an introduction to key issues that will be developed during discussions at the forthcoming meeting of the Health and Development Forum to be held at the London School of Hygiene and Tropical Medicine on September 12th 2002 at 1.30pm.

Tobacco, Health and Equity

It is estimated that some 4 million deaths per year can currently be attributed to tobacco, or about 1 in 10 of all adult deaths. Such figures are set to rise dramatically such that by 2030 the annual death total will stand at around 10 million or 1 in 6 adult deaths. Consequently, around 500 million people alive today will eventually be killed by tobacco.

This burden is becoming increasingly inequitable in its distribution. Smoking related deaths were once largely confined to men in high-income countries, but the marked shift in smoking patterns to middle and low-income countries is being accompanied by rapidly rising trends in death and disease.

- Around half of all deaths from tobacco occur in the developing world, but this will rise to 70% by 2030.
- In China smoking accounts for around 1 in 3 of all adult male deaths, or around 100 million of the 300 million Chinese males now aged 0-29.
- Tobacco will kill around 80 million Indian males currently aged 0-34

Selling tobacco products to women has been described as the single largest product marketing opportunity in the world. While the epidemic may be in gradual decline among men, it will not reach its peak among women until well into the 21st century, and it is predicted that the current world total of around 187 million women smokers will reach 532 million by 2025. Such an increase, driven by economic and social change and by increased targeting of women by major tobacco companies, is liable to have enormous consequences for health, incomes and families across developing countries.

Sources:

WHO Tobacco Free Initiative (2001) Burden of Disease

<http://www5.who.int/tobacco/page.cfm?sid=47>

Gajalakshmi CK et al (2000) 'Global patterns of smoking and smoking-attributable mortality' in Jha P and Chaloupka F (eds) Tobacco Control in Developing Countries available at: <http://www1.worldbank.org/tobacco/tcdc/009TO040.PDF>

The Economics of Tobacco Control, Tobacco Production and Development

A fundamental obstacle to the development of comprehensive tobacco control programs has been the misplaced belief in the value of tobacco production and consumption to national economies. As a result of research led by the World Bank, it is increasingly clear that, for the vast majority of countries, increased taxation of tobacco products would not cause long-term job losses. Tobacco control actually presents policy makers with a virtuous circle, often combining substantial benefits for public health through reduced consumption with an expansion in revenues via increased taxation.

Notwithstanding the broadening evidence base that tobacco control makes good economic sense, it is clear that some countries are significantly reliant on tobacco production. Real dependence on the crop is, however, far less common than is often suggested. Of the 141 countries that export tobacco only 16 derive more than 1% of their total export earnings from it, and tobacco accounts for over 5% of export earnings in only 4, namely Kyrgyzstan, Macedonia, Zimbabwe and Malawi (at 8%, 16%, 32% and 58% respectively).

Importantly, however, improved tobacco control is not going to result in a sudden collapse. Rather, the number of people using tobacco products is expected to increase by over 500 million during the next quarter of a century. Tobacco control efforts do not focus on reducing supply, and any decline in overall consumption that could undermine employment in tobacco farming will occur over several generations.

Why not?

Sources:

World Bank (1999) Curbing the Epidemic: Governments and the Economics of Tobacco Control <http://www1.worldbank.org/tobacco/reports.htm>
Campaign for Tobacco Free Kids (2001) Golden Leaf: Barren Harvest: The Costs of Tobacco Farming <http://tobaccofreekids.org/campaign/global/FCTCReport1.pdf>

Globalisation, Trade and the Tobacco Epidemic

Globally, the tobacco industry is increasingly dominated by a handful of major companies. 75 percent of the world cigarette market is now controlled by just four companies: Philip Morris, British American Tobacco (BAT), Japan Tobacco and the China National Tobacco Corporation. Recent years have also seen the number of major companies involved in the purchasing, processing and shipment of raw tobacco fall from eight to three. The period from 1994-97 witnessed a 12.5% increase in unmanufactured tobacco exports globally, following a decade of negligible growth. Cigarette exports were relatively stable between 1975 and 1995, began to steadily rise thereafter, and grew by 42% between 1993-96.

Both the consolidation and expansion of the tobacco industry have been driven by trade liberalization. The opening of cigarette markets in Asia has been particularly significant, as shown by the impact of the so-called Section 301 agreements in Japan, South Korea, Taiwan and Thailand. Access to these markets was gained following threatened trade sanctions by the US and, in the Thai case, adjudication by GATT. It has been estimated that the opening of these markets increased per capita cigarette consumption by an average of 10% by 1991.

It is particularly important to note the inequitable impacts of trade liberalisation on tobacco consumption. Trade liberalisation has led to increased consumption of tobacco overall but, while it has no substantive effect on higher-income countries, it has had a large and significant impact on smoking in low-income countries and a significant, if smaller, impact on middle-income countries.

Sources:

Taylor A et al (2000) 'The impact of trade liberalization on tobacco consumption' in Jha P and Chaloupka F eds. *Tobacco Control in Developing Countries*. available at <http://www1.worldbank.org/tobacco/tcdc/343T0364.PDF>
Hammond R (1998) 'Consolidation in the tobacco industry'. *Tobacco Control*, 7: 426-428 (Winter) <http://tc.bmjournals.com/cgi/context/full/7/4/426?>

Transnational tobacco companies and development

The tobacco industry has undoubtedly contributed to the widespread failure to perceive tobacco as a significant development issue, particularly in seeking to undermine the credibility of WHO's work to promote tobacco control. An examination by a WHO Committee of Experts of industry documents made available via litigation revealed the scale of efforts to portray such activities as a 'First World' agenda carried out at the expense of developing countries. Documents have identified the explicit use of the International Tobacco Growers Association as a front group for industry lobbying, a clear concern to stop developing countries becoming committed to tobacco control, to restrict WHO's funding and divide it from other UN agencies, and the creation of an international consortium to mobilize officials from developing countries to advance pro-tobacco positions.

Underlying such tactics has been a broad strategy of attempting to present the concerns of small tobacco farmers in developing countries as fundamentally aligned with those of the enormous transnational tobacco companies based in the United States, the UK and Japan. The extent of divergence in interests is becoming apparent, with increasing evidence of the poor economic returns, environmental damage and health impacts associated with tobacco production:

- In Brazil, a report by Christian Aid highlighted the role of BAT's local subsidiary Souza Cruz in controlling the livelihoods of small-scale contract farmers and raised serious concerns about the health impacts of pesticides sold by the company.
- In Uzbekistan, where BAT has made a substantial investment, the British Helsinki Human Rights Group identified exploitation of local farmers amounting to *de facto* slave labour.
- In Kenya, there is rising concern about the substantial death toll from pesticide use and the rapid rate of deforestation attributable to tobacco.
- Cigarette companies are using progressively less tobacco per cigarette, adopting techniques such as using expanded or reconstituted tobacco, increasing profitability while reducing demand for raw tobacco.

Sources:

WHO Committee of Experts (2000) 'Tobacco Company Strategies to Undermine Tobacco Control Activities at the World Health Organization' <http://tobacco.who.int/~who/home/tobacco/tobacco.pdf>
Christian Aid/DESER (2002) Hooked on Tobacco report on BAT subsidiary Souza Cruz <http://www.christian-aid.org.uk/indepth/0201/bat/index.htm>
British Helsinki Human Rights Group (2002) Uzbekistan 2002: British American Tobacco <http://www.bhhrg.org>

Campaign for Tobacco Free Kids (2001) Factsheets: 'Tobacco and the Environment', 'Tobacco Industry Manipulation of Agricultural Issues' and 'Lowering Leaf Content, Boosting Profits' <http://tobaccofreekids.org/campaign/global/>

Towards the Framework Convention on Tobacco Control

The process of negotiating the FCTC was established by a unanimous resolution of the World Health Assembly in 1999, initiating a two-step process of Working Groups to establish technical foundations followed by an Intergovernmental Negotiating Body (INB). Semi-annual negotiating sessions of the INB have been held in Geneva since November 2000, with the fifth round set for October 2002. The FCTC is expected to take the form of a broad convention outlining legal parameters, structures and general obligations for all signatories, in combination with a number of protocols detailing more specific commitments to which states can choose to accede on a case-by-case basis. The objective is for a negotiated convention to be ready for presentation to the WHA in May 2003.

The FCTC process has been characterised by an attempt to secure broad participation both by member states and by civil society. One notable development has been the negotiation of coordinated positions among regional groupings prior to the INB meetings. The Johannesburg Declaration on the FCTC, for example, was adopted by the 21 countries of WHO's African Region in March 2001. This common front was widely perceived as having added weight to their contributions to the first INB session, emphasising a commitment to progressive control measures in combination with calls for assistance in agricultural diversification.

The FCTC process has aimed to encourage the participation of actors traditionally excluded from the state-centric politics of UN governance. Public Hearings held in October 2000 provided an opportunity for interested groups to register their views prior to the start of inter-governmental negotiations. Over 500 written submissions were received, while 144 organisations provided testimony during the 2 day hearings, encompassing TTCs, state tobacco companies and producer organisations as well as diverse public health agencies, women's groups and academic institutions.

The role of NGOs in the process has centred on the development and activities of the Framework Convention Alliance. This grouping of over 160 increasingly diverse NGOs was created to improve communication between those groups already engaged in the FCTC process and to address the need for a systematic outreach to smaller NGOs in developing countries. It has developed a valuable series of briefing papers and identified key issues in support of developing a strong Framework Convention.

Sources:

WHO (2002) 'Framework Convention on Tobacco Control: An Introduction' with links to all documentation and draft Chair's text <http://tobacco.who.int/en/fctc/index.html>
Bates C (2001) Developing countries take the lead on WHO convention, Tobacco Control, 10 (3): 209 <http://www.ash.org.uk/html/international/html/inb2review.html>
Framework Convention Alliance (2002) Briefings on Trade, Advertising, Smuggling and Packaging and Labelling, together with a list of 10 key issues for global tobacco control and the FCTC, available at www.fctc.org

Tobacco industry and corporate responsibility... an inherent contradiction

THIS DOCUMENT HAS BEEN DEVELOPED BY WHO'S TOBACCO FREE INITIATIVE, PURSUANT TO WHO RESOLUTION 54.18, TRANSPARENCY IN TOBACCO CONTROL PROCESS THAT CALLS ON WHO TO CONTINUE TO INFORM MEMBERS STATES ON ACTIVITIES OF THE TOBACCO INDUSTRY THAT HAVE NEGATIVE IMPACT ON TOBACCO CONTROL EFFORTS."



World Health Organization

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Tobacco industry and corporate responsibility... An inherent contradiction

World Health Organization

Increasingly consumers, employees and managers expect companies, particularly large multinationals, to go beyond their traditional role of creating, producing, packaging and selling—for a profit. In the public's view, job creation and tax paying no longer suffice as private sector's sole contribution to society. The boom of socially responsible investment (SRI) products attest to this trend as investors express their concerns and make their social and ethical stands known to the companies they invest in and patronize. Socially responsible investors include individuals, corporations, universities, hospitals, foundations, and insurance companies, pension funds, non-profit organizations, churches and synagogues. Funds may exclude certain products or practices such as alcohol, weapons, pollution, animal testing or gambling; or they may seek to actively identify positive aspects of companies that adopt sound policies for environmental protection, fair employment practices, community and labor relations, for example. The common denominator among the vast majority of ethical or socially responsible investment policies and products is the exclusion of tobacco companies in their portfolios.¹

Well-planned and well-managed philanthropy, from sponsoring music, film and art festivals to creating education programs for the disadvantaged to protecting the environment, in the name of corporate social responsibility (CSR) has become a necessary element in virtually every large corporation's business plan.

Many businesses from a wide range of sectors conduct projects and programmes that aim to reduce social inequity—by creating or improving health care or educational facilities, providing vocational and management training, enhancing the quality of leisure and cultural activities. Specific sectors are recognizing their responsibilities and orient their CSR efforts to areas especially relevant to their business. For example, food and beverage multinationals have specific responsibilities in terms of product marketing, consumers' changing eating habits, and conditions under which agricultural commodities are produced and traded. Transport companies must contend with the environmental impact of their business as well as traffic congestion, energy waste, safety and security and access to trade and enterprise opportunities.

Tobacco companies have not missed this trend. Major companies have developed programmes for small business development in Kenya, crime prevention in South Africa, business education in China, folk culture preservation in Venezuela, and medical treatment and flood relief in Pakistan. A few specific examples follow.

youth smoking prevention

One area where nearly every major tobacco company invests publicity efforts to improve their corporate image is the development and promotion of ineffective youth smoking prevention programmes. While these programmes are created to appear to dissuade or prevent young people from smoking, in fact the effect is often the contrary. By portraying smoking as an adult activity, these programmes increase the appeal of cigarettes for adolescents. Proposed measures that involve proof of age for purchase at the counter are ultimately ineffective, as young

people easily circumvent these restrictions. Tactically, these programmes serve the purpose of creating the appearance that tobacco companies are proposing solutions for the problems they create. In reality, they detract attention from proven, effective solutions—including price and tax increases—to which young people are particularly sensitive. Tobacco companies vigorously oppose price and tax increases.



consumers, communities and the environment? How can they claim to promote transparent business practices, calling for open dialogue among stakeholders when public inquiries and legal testimonies in courts in countries around the world attest to tobacco companies' actions and strategies to conceal the deadly nature of their products, derail work to protect public health and destroy incriminating evidence?

As in many respects, tobacco companies are simply not like other companies. Tobacco products are legal. But they are also lethal. Tobacco is the only consumer product available that kills one-half of its regular users. As such, in terms of CSR activities, they cannot simply figure among the ranks of other consumer goods companies.

Despite the tobacco industry's thinly-veiled attempts to gain corporate respectability and companies' claims to have changed their practices, they continue to use a vast array unethical and irresponsible strategies to promote its products, expand markets and increase profits.

In the summer of 1999, an internal report to Dr Gro Harlem Brundtland, Director-General of the World Health Organization (WHO), suggested that there was evidence in formerly confidential tobacco company documents that tobacco companies had made "efforts to prevent implementation of healthy public policy and efforts to reduce funding of tobacco control within UN organizations." Later that year, she announced that understanding the role of the tobacco industry in causing and perpetuating an epidemic that kills some 5 million people annually, would be a key to developing tobacco control policy in general, and specifically a Framework Convention on Tobacco Control that can stop, if not reverse the tide and appointed a Committee of Experts to research tobacco company documents which had become publicly available as a result of lawsuits against the tobacco industry in the United States.

That documentary evidence pointed to systematic and global efforts by the tobacco industry to undermine tobacco control policy and research developments.



The Committee found that the tobacco industry regarded the World Health Organization as one of their leading enemies, and that the industry had a planned strategy to «contain, neutralize, reorient» WHO's tobacco control initiatives. Tobacco industry documents show that they carried out their plan by staging events to divert attention from the public health issues raised by tobacco use; attempting to reduce budgets for the scientific and policy activities carried out by WHO; pitting other UN agencies against WHO; seeking to convince developing countries that WHO's tobacco control program was a «First World» agenda carried out at the expense of the developing world; distorting the results of important scientific studies on tobacco; and discrediting WHO as an institution.^{xiv}

These findings were the catalyst for efforts in WHO Regional Offices and individual country offices to carry out their own investigations on tobacco industry activities aimed specifically at sabotaging public health work. They also spurred the implementation of a systematic screening process of WHO employees and consultants to determine whether or not there



exists any conflict of interests with the aims of the organization. All employees and consultants are required to declare any interests that may influence their objectivity—including whether they are or have been involved in the production, manufacture, distribution or sale of tobacco or any tobacco products or directly represented the interests of any such entity.

WHO Headquarters was not the only target. In WHO's Eastern Mediterranean Region, tobacco industry activities to weaken public health policy in the Middle East began in the late 1970s, when multinational tobacco companies met regularly to discuss pending regulations and to plot joint strategy. The Middle East Working Group (MEWG), which later became the Middle East Tobacco Association (META), comprised all of the major tobacco multinational operating in the Middle East, and was formed in order to "promote and defend" the interests of these companies in the region—carefully monitoring and seeking to undermine the work of public

health officials in the Middle East, including the Arab Gulf Health Ministers' Conference, the World Health Organization and national tobacco control coalitions. The tobacco industry documents show that the companies enlisted prominent political figures in the Middle East to provide information and lobby for them, including an Egyptian member of Parliament, a former Assistant Secretary General of the Arab League and even, at one point, the Secretary General of the GCC Health Ministers who was also the Kuwaiti Under-Secretary for Health.^{xv}

A recent report released by the Pan American Health Organization echoes these same findings. Transnational tobacco companies planned and executed comprehensive campaigns of deception over the last decade in Latin America and the Caribbean regarding the harmful effects of second-hand smoke and the nature of tobacco company marketing activities. By hiring scientists throughout Latin America and the Caribbean to misrepresent the science linking second-hand smoke to serious diseases and by designing «youth smoking prevention» campaigns and programs primarily as public relations exercises aimed at deterring meaningful regulation of tobacco marketing, tobacco companies sought to delay or avoid tobacco marketing restrictions and restrictions on smoking. Industry documents also show that tobacco companies had detailed knowledge of smuggling networks and markets and actively sought to increase their share of the illegal market by structuring marketing campaigns and distribution routes around them and that they enjoyed access to key government officials and succeeded in weakening or killing tobacco control legislation in a number of countries.^{xvi}

All these investigations consistently point to the discrepancy between the measures that tobacco companies internally recognize to be the greatest threats to their sales, and those that they

champion in public. For example, companies publicly deny the connection between smoking prevalence and tobacco advertising, but internally acknowledge that advertising bans are a threat to tobacco sales, and a key priority for thwarting regulatory action. Companies constantly insist that they do not market to young people while internal documents clearly demonstrate otherwise.

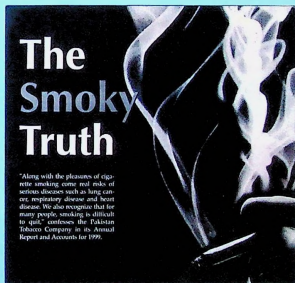
In a recent report examining recent statements submitted by British American Tobacco, Philip Morris, R.J. Reynolds, Brown & Williamson and Lorillard in the civil suit brought by the US Department of Justice,^{xvii} US Representative Henry A. Waxman found that most companies continue to question whether smoking causes disease and do not admit that nicotine is addictive. All companies denied that that second-hand smoke causes disease in non-smokers—despite unequivocal evidence from the US Surgeon General and the World Health Organization (WHO). Tobacco companies also denied that they control nicotine levels in cigarettes, that they market to children and that they destroyed documents to avoid their use in lawsuits—despite their own testimonies in courts of law to the contrary. The tobacco industry systematically creates controversy about risk assessment and about the scientific evidence of the health hazards of tobacco use and second-hand smoke.^{xviii}

Similar enquiries and investigations have been done out or are in the process of being carried out in other countries, including Switzerland, Finland, Israel, Syria, Iran, among others. The tactics are expertly adapted to specific country situations and executed solely in the interest of tobacco company profits.

At the same time, the toll of tobacco-related disease and death around the world is spiralling to 4.9 million lives lost every year. This figure exceeds all previous projections, reaching greater

dimensions, faster than expected—reaffirming the urgent need for action on a global scale.

Tobacco companies are asking for open dialogue. They assert that their efforts to undermine global tobacco control policy are a product of a past era and that now they seek to engage in constructive dialogue with the WHO and national governments. They appeal to “reticent stakeholders” to judge them “not by the swirl of words around [their] industry but by [their] actions.”^{xix}



Today WHO has defiantly acted for the benefit of the public health, and the WHO Framework Convention on Tobacco Control (WHO FCTC) is a reality and is very close to entering into force. There is only one way to reduce the death and suffering caused by the tobacco epidemic, and that is the implementation of effective tobacco control policies. The WHO FCTC sets the standards for regulating tobacco in its different aspects. The Treaty sets the ground for tobacco control with provisions on advertising and sponsorship, tax and price increases, labelling, illicit trade and second-hand smoke.

Nearly 5 million deaths a year, 1.3 billion smokers in the world today and high rates of youth

smoking are in part the result of the failure of governments to implement tobacco control policies that are known to work. Governments' inaction and public indifference, where it exists, are largely a result of decades of tobacco companies' untoward influence.

The business community, consumer groups and the general public should join policymakers and the public health community in being more vigilant and critical about tobacco companies' CSR activities. Because, despite the industry's claims, there is little evidence of any fundamental change in their objectives or their practices.



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Tobacco Free Initiative

World Health Organization (WHO)

www.who.int/tobacco

Tel: +41 22 791 2126

Fax: +41 22 791 4832

E-mail: tfi@who.int