
EUROPEAN ECONOMICS INT356

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LOBBYING PRESENTATION : Philip Morris International Inc.

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PHILIP MORRIS INTERNATIONAL INC.

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Students of our group :

 François BARENTON – francois.barenton@essca.eu

 Alexander BERNARD – alexander.bernard@essca.eu

 Arthur GILG – arthur.gilg@essca.eu

 Juan CAMILO VILLAMIL – juan.villamilramos@essca.eu

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I) Philip Morris International Inc.

Identification number in the register: 51925911965-76

Registration date: 07/07/2009

Philip Morris International Inc. is a holding company whose subsidiaries, affiliates, and their licensees, are engaged in the manufacture and sale of cigarettes, other tobacco products as well as Reduced-Risk Products. Their products are sold in approximately 180 countries. In the EU, PMI's subsidiaries and affiliates sell conventional tobacco products as well as RRP's in most of the member states. They employ approximately 12,600 people and own 8 factories located in 7 member states.

As we can read on their website, PMI is now taking stricter measures to ensure compliance with legislation and the overall health of consumers: "Irrespective of where in the world we do business, we apply the same principles to our conduct. This includes not marketing or selling our products to minors. It also means that we engage with governments and other stakeholders in support of legislation that applies to all tobacco products and manufacturers and is based on the principle of reducing the harm caused by tobacco use."

However, this does not prevent the company from being a powerful in-house lobbyist within the EU Commission since 2009.

Mr Andre Calantzopoulos, Chief Executive Officer (On the left) and Mr Kristof Doms, Vice President Fiscal Affairs, International Trade and ITP (On the right), are the two main figures of PMIs operating in the EU. Mr Calantzopoulos being the legal responsibility and Mr Doms the one in charge of EU relations.



On the Transparency Register, we can see the more than 8 people are involved in the activities, which only includes employees working in PMI's Brussel Office on EU affairs. Here is a list of all persons accredited for access to European Parliament premises:

First name	Surname	Start Date	End Date
Kristof	DOMS	21/06/2019	30/06/2020
Ioannis	KORKOVELOS	17/01/2020	15/01/2021
Tomas	Korkos	18/01/2020	31/01/2021
Mario	MUELLER	20/06/2019	30/06/2020
Stefano	SANTI	19/06/2019	30/06/2020
Mauro	SCOTTO D'ABUSCO	20/06/2019	30/06/2020
Bert	VAN GOSSUM	20/06/2019	30/06/2020

PMI is also a membership of numerous associations, confederations, and networks.

II) The objectives of the lobby

Nowadays, everyone knows that tobacco kills, and it kills heavily. According to the World Health Organization, tobacco kills approximately half of its consumers. Per year, more than 8 million people die because of cigarettes, and among them, around 1 million die because of indirect smoking. Indeed, it means that almost 15% of people killed by tobacco use don't even smoke. As smoking is the leading cause of death, illness and impoverishment combined, the W.H.O considers it *"One of the biggest public health threats the world have ever faced"*

Nevertheless, even with those frightening numbers, tobacco companies still make enormous profit. The Guardian estimates that tobacco sales generated revenues up to almost 500 billion dollars in 2011, and the total profit made by the six biggest companies is estimated around 35 billion dollars. These largest tobacco sellers (which PMI is obviously part of) generated in 2011 more than \$1,100 profit per second in exchange of killing half their consumers on the long term.

Because of this scourge for international public health, countries and supranational entities like the EU are trying to fight these companies by trying to reduce the consumption of cigarettes. In order to do that, they try to pass laws that would for example increase the price of cigarettes, laws to ban indoor smoking, are even laws to minimize their marketing influence. Indeed, in France for example, smoking indoor in restaurants is forbidden, the price of a pack of cigarettes increases yearly and all the pack must be neutral (without

distinction between brands). However, because the states are getting a lot of money out of taxing the tobacco firms and tobacco products, they cannot simply prohibit cigarettes even if the health damages caused by smoking on the population are dramatic. However, there is another main reason why the tobacco industry is still making a huge amount of profit and why laws that try to protect the population from smoking take so much time to pass, or don't pass at all : the lobbies.

Philip Morris International Inc., the company we are focusing on, is the biggest tobacco company in the world with an estimated firm value of \$175 billion. Its lobby is therefore extremely powerful among the tobacco lobbies. However, what are their objectives? The main one is simple: influence the policy makers (individuals and institutions) so that the laws that they are trying to pass will not hurt – or not too much – their profit.

Here we are focusing on PMI lobbyist trying to influence the European Union decisions. So, if European legislative institutions: the European Commission, the European Parliament and the Council of the European Union, try to pass anti-smoking laws, PMI lobbyists will interfere in the decision making by pressuring or influencing the individuals that compose those institutions.

For instance, if the European Commission proposes a law that would hurt the tobacco industry in any way, the lobbyists will use their influencing power to postpone the law as much as possible, or to slightly get the original text modified, so that it would minimize the negative effects on PMI's profit.

However, lobbying is totally allowed, and it is supervised by the EU. Indeed, there is an official code of conduct for EU lobbyists. Obviously, PMI is a signatory of this code and must respect it strictly by, for instance, being transparent about their expenses on lobbying.

As published by the website www.corporateeurope.org, all signatories must *“ensure that, to the best of their knowledge, information which they provide upon registration and subsequently in the framework of their activities within the scope of the register is complete, up-to-date and not misleading”*.

Therefore, if there are many ways for a lobbyist to act and influence, it must respect some rules, total transparency being one of them. However, we can see that some drifts can occur, especially with big and powerful lobbyists like the Philip Morris lobbyists.

III) How does the lobby proceed?

Philip Morris is a huge group and has many different strategies for lobbying. At Philip Morris in office, some 600 "corporate affairs directors" work to serve the interests of the company. But in addition to these employees, PMI is using a consultancy agency named Reuters. It is one of the world's largest branch of lobbyist in the world.

In its internal documentation, Philip Morris frequently refers to its lobbying strategy as "*playing the political game*" and "*finding allies who offer political cover and victory*".

That is what lobbying is all about, influencing and finding support to defend a cause or interests. We will here focus on their main actions and their most known ways to lobby.

Gathering information about Europeans members of Parliament

Knowing about the people you want to influence is an important thing in lobbying, and PMI knows it. The more you know about your target, the better you can influence it, and in 2012, a scandal explodes because of their research of information.

Leaked confidential documents have shown that Philip Morris have made detailed files about MEPs (Europeans members of Parliament), particularly French ones, in order to know more about them and get the closest to them as possible. These documents from 2012 and 2013 show the files on 74 French MEPs (among others) who sit in the European Parliament. They classified them according to: their supposed proximity to the tobacco industry, and according to the degree of "urgency" of when to approach them.

Former French Agriculture minister Stéphane Le Foll said that the PMI group needed to give explanations, as he was classified in the « quick contact required » file.

In this affair, although no evidence of corruption has emerged, some financial data are troubling. In the documents, the full list of 161 lobbyists shows that each is allocated a specific budget for the organization of "events". In total, no less than 548 927 € had been declared. Emmanuelle Béguinot (chairman of the National Committee Against Smoking) said that "there is a black hole in the destinations of this money. You have to know where it's really going".

Trying to reduce the number of health representant in the parliament

Another strategy that pays off for PMI and the tobacco industry: trying to reduce the number of health representatives in delegations. Since 2006, the number of representatives of ministries such as finance, trade or agriculture has increased sharply, to the detriment of health. These representatives are less sensitive to the health aspect, and more to financial and tax contributions. This strategy for tobacco lobbyists is clearly paying off for the companies of tobacco industry.

Former Finnish Health Minister Pekka Puska, who is a member of the FCTC committee, the WHO Framework Convention on Tobacco Control, said that "the tobacco industry is more powerful than ever". Since 2005 and the implementation of the FCTC, global consumption has declined by only 1.9% even if smoking directly kills more than 7 million people per year.

Finances of the lobbyists at PMI

It is very difficult to establish the exact amount that a company spends on lobbying, and there are several reasons for that.

First, your company needs to have an official status and needs to be registered as a lobbyist. Then, you have different ways to do your lobbying. You have the in-house lobbying, the association in house lobbying, and the external lobbying. All these kinds of lobbying have different ways to trace the amount spent by clients for an action.

However, even with the appropriate method, it will not be possible to trace back all the money spent, because of fees, undeclared missions etc...

Finances for lobbyist is a huge issue, and most of the time, you cannot tell the exact amount of money used. Therefore, declared amounts are not always the real amount spent, and are often undervalued.

Complaints against PMI

As we can guess, there are many complaints against lobbying, especially against the tobacco industry. We will study 2 cases of rebellion against this lobby. The first being on the purpose of the lobby, the other on financial issues.

Open letter from the Association of European Cancer Leagues

The Association of European Cancer Leagues wrote a letter to President of the European Parliament, about the PMI lobby. The introduction speaks for itself: *"we are writing to express our very deep concerns regarding the attempts by the tobacco industry lobby to derail vital public health legislation currently going through the Parliament."*

The Association that wrote this letter criticizes the method of acting of the PMI lobby but also the behavior of the Parliament representatives. They are writing that several rights had been violated and that information about the purpose of meetings were supposed to be delivered, but still hasn't been made public.

These important lobbies are keeping information for themselves, which is making things very hard for the investigation conducted by those fighting them.

Complaint for under-reporting EU lobby expenses

Even for financial matters, the Philip Morris lobby isn't giving all the information it is suppose to. Philip Morris International (PMI) is a signatory of the code of conduct for EU lobbyists, saying that they will *“ensure that, to the best of their knowledge, information which they provide upon registration and subsequently in the framework of their activities within the scope of the register is complete, up-to-date and not misleading”*.

For the year 2012, PMI delivered figures for the annual cost of their lobby. They gave a figure of 1,250,000 € to cover all costs. This number is based on an internal PMI document which also calculates the company's costs of lobbying for 2012 to be 1,249,402 €. You have in this amount the travel costs of employees: 139,375€, the expenses for consultancy: 561,100 €, and all the membership and events for a total of 548,927 €.

However, a closer look at the leaked documents shows that these estimations on lobbying costs are far too low, for 3 reasons :

1) The list of total employees is incomplete, which means some lobbyists are missing in the calculation.

2) The expenses were divided in 3 categories, but some expenses, considered as belonging in another category, haven't been taken into account.

3) For all the paid hours for the employees, it is not taken into account their “lobbying activity”. And this is also making the calculation incorrect.

To summarize, it is clear that there are numerous differences between PMI's lobby register declaration and the real expenses of the lobby. That is why the secretariat of the lobby register has been urged to investigate on this declaration.

CONCLUSION

As we can see in this case study, Philip Morris International Inc, is one of the biggest and most important companies in the Tobacco industry not only for how huge the company is, but also because of the power they have over the decisions that are made at a global level, always looking for their own profit. It does not mean the company has not been concerned about health of its consumers, as they try to follow and support the basic rules such as not selling Tobacco to minors, or being totally transparency. The real question; is that enough?

Institution such as European Cancer Leagues that wants to intervene in the decisions to fight against the health damages caused by the tobacco industry is going to face this powerful company in terms of decision making and influence. More than 600 people work for this company, looking for the best way to increase or, in the worst case, keep their profits without being affected by laws or legislation, Additionally this huge company is used to work with states governments, mostly because of the high taxation on their product and how profitable these taxes are for the national economic growth of the countries. This connection has been one of the strongest one because if a law implemented in a country causes PMI to stop producing cigarettes, reducing their profits, the government will receive less money out of them on taxation.

PMI has had to face many complaints against lobbying especially with entities such as the Ministry of Health, the Association against Cancer, or even the National Association of Accredited Preventive Entities that has been trying to find a way to reduce the consumption of tobacco because of the unbelievable number of deaths caused by tobacco.

However, even with those associations that are trying their best to fight against the tobacco industry, according to one of the most famous magazines 'The New York times' and the FCTC committee, the tobacco industry is more powerful than ever and has reached one of the biggest sums of money.

By influencing the policy makers, PMI managed to keep their incredible profit thanks to lobbying. The company has chosen to invest in the best lobbying company (Reuters), in order to maximize their probability of maintaining one of the most important profit in the industry. Tobacco lobbyists' power keeps increasing, as they know that governments and supranational entities like the European Union cannot simply prohibit cigarettes because they are getting a lot of money out of companies like Philip Morris International Inc. for the selling of a harmful and addictive product.

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