

Non-Smokers' Rights Association
Association pour les droits
des non-fumeurs

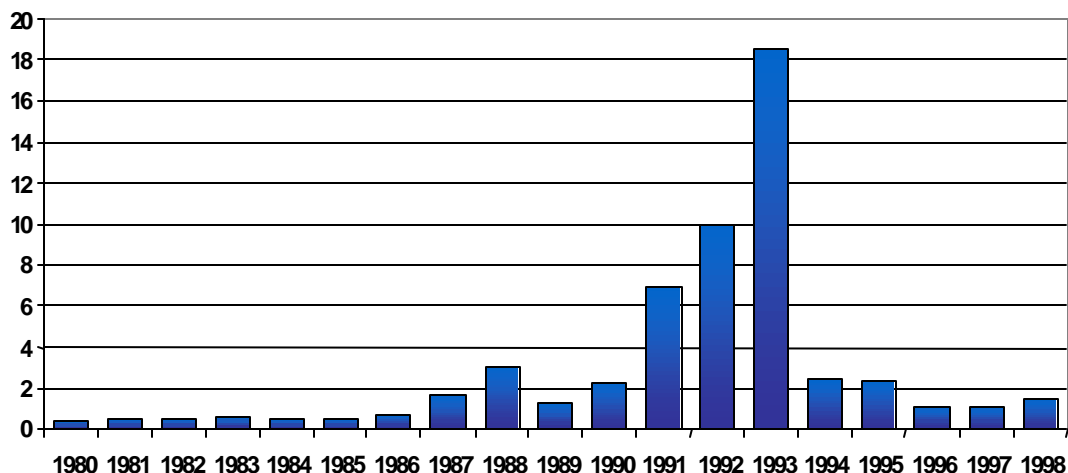
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Chronology of Cigarette Smuggling

- January 1988:** Cigarette smuggling through Akwesasne is reported in the Kingston Whig-Standard and other Canadian newspapers.¹
- January 1992:** Leslie Thompson, a long-time executive with RJR-Macdonald and its U.S. parent, R.J. Reynolds, begins selling truckloads of Canadian cigarettes to an organized smuggling ring in upstate New York.²
- February 12, 1992:** The federal government attempts to stem the flow of Canadian cigarettes to smuggling rings in the United States by imposing an \$8 per carton export tax. Following intensive industry lobbying, this was repealed on April 8, 1992.
- 1992:** Imperial Tobacco decides to supply cigarettes to U.S. distributors to facilitate their being smuggled back to Canada.
- Late 1992:** R.J. Reynolds sets up a new subsidiary, Northern Brands International, purportedly to promote the sale of Export "A" cigarettes in the United States.



Canadian Cigarette Exports (in billions) to the United States, 1980-1986

Sources: Statistics Canada, Exports by Commodity, Catalogue 65-004, December issues, 1980 – 1998

- 1993:** In February, U.S. police pull over a rental truck in Louisiana for failing to stop at a weigh station. They discover contraband: 150 cases of Canadian-made Imperial Tobacco cigarettes, en route back to Canada. In the ensuing investigation, U.S. Customs authorities raid a bonded warehouse in Louisiana and find records for 8,000 cases of Canadian-made cigarettes supposedly sold duty-free to fishing vessels passing through the area. A warehouse employee fingers Brown & Williamson, the U.S. sister company of Canada's Imperial Tobacco, as supplier of the cigarettes. U.S. Customs sends in an undercover agent to investigate.
- 1992-93:** Imperial Tobacco, frustrated with Brown & Williamson, makes an agreement with Phillip Morris to distribute Player's to U.S. markets.³
- 1993:** Imperial Tobacco expresses concerns internally that "RJR have also continued to operate on the fringes of the law; often off-pricing and actively developing smuggled distribution."⁴
- Feb. 1, 1994:** Health groups run a full-page ad in *the Globe and Mail* warning of the dramatic health and financial impact of an impending tobacco tax roll-back.
- Feb. 8, 1994:** Federal rollback in tobacco taxes matched by Quebec, and followed by New Brunswick, Ontario, PEI and Nova Scotia.
- Solicitor-General, Herb Gray, announces that: "700 RCMP officers will be dedicated to anti-contraband operations, double the current level...Our stepped up enforcement measures will apply everywhere in Canada. The police will seize contraband and lay charges wherever it is appropriate to do so. My message is simple: anyone participating in the contraband trade in any capacity whatsoever is breaking the law. They will be subject to the full range of sanctions and penalties provided by the law".
- 1994:** The U.S. Customs undercover agent buys Canadian cigarettes from Michael Bernstein, Brown & Williamson's East Coast Regional Account Manager. Once sufficient incriminating evidence has been gathered against Bernstein, authorities confront him. According to court documents filed by U.S. federal agents, Bernstein and one of his subordinates, Richard Wingate, "confirmed the company's knowledge and intent to defraud the United States and Canadian Governments of tax revenues," and agreed to help provide proof.
- 1995:** On Jan. 11th, a party of 50 to 100 U.S. federal agents raid the headquarters of Brown & Williamson in search of evidence related to the smuggling of cigarettes into Canada and Mexico. They seized numerous computer and paper files.
- May 1996:** The U.S. Department of Justice charges Bernstein and Wingate with "conspiracy to defraud the United States" and with assisting smuggling. The alleged smuggling stretched back to 1989.
- July 1996:** Bernstein's former subordinate, Wingate, pleads guilty.
- July 11, 1997:** RJR-Macdonald issues news release: "Following the publication in the Syracuse Post-Standard and the Hamilton Spectator of an article which alleges that RJR-Macdonald is the subject of a police investigation, the company issued the following statement today: 'It is RJR-Macdonald's policy not to comment on matters of this nature. We can only confirm that RJR-Macdonald has not seen the affidavit and has not been contacted by any law

enforcement officials about it. RJR-Macdonald's sales of its products are always made in full compliance with applicable laws, both in the U.S. and in Canada. We are, as always, ready to fully co-operate with the authorities should they contact us.' "

- July 16, 1997:** Bernstein pleads guilty to charges of trafficking in contraband cigarettes. He is later fined.
- July 24, 1997:** R.J. Reynolds and subsidiary Northern Brands International receive subpoenas from a federal grand jury relating to smuggling into Canada.⁵
- Jan. 20, 1998:** CBC-TV broadcasts a documentary on *The Fifth Estate* detailing the Brown & Williamson and RJR-Macdonald cases, including evidence of parties at a secluded fishing lodge in British Columbia involving smugglers and RJR-Macdonald executives. One executive, RJR-Macdonald Chief Operating Officer Stan Smith, is named in the broadcast. His employment with the company is subsequently ended. Smith was a plaintiff along with the company in challenging the constitutionality of advertising and promotion restrictions in the federal *Tobacco Act*, which was passed in April 1997.⁶
- Jan. 21, 1998:** The Canadian Cancer Society, the Non-Smokers' Rights Association and the Canadian Council for Tobacco Control call for both a criminal investigation of the tobacco manufacturers related to smuggling and a Royal Commission into the tobacco industry.⁷
- Jan. 24, 1998:** In an interview on CBC Radio's *The House*, CTMC President Robert Parker comments on *the fifth estate* broadcast: "I personally think that's the sleaziest piece of attack journalism I've seen in a long time. ... I think the absence of charges, after all these years, is eloquent evidence that there's nothing to these charges."⁸
- June 26, 1998:** Knight Ridder news service reports that RJR and Imperial Tobacco are under investigation by the R.C.M.P. for smuggling matters.⁹
- Sept. 1998:** RJR-Macdonald sales representative Christopher Gibb-Carsley, an employee in Montreal, is charged in Quebec Court with smuggling offences.¹⁰
- Nov. 5, 1998:** After a lengthy investigation and a string of plea bargains by accomplices, smuggler Larry Miller, the head of a network in New York State, pleads guilty to assorted charges and agrees to testify against his suppliers in the tobacco industry.¹¹
- Nov. 1998:** Philip Morris, the largest U.S. tobacco company, reports to the Securities and Exchange Commission that it is under investigation for alleged involvement in smuggling along the Canada-U.S. border.
- Dec. 22, 1998:** Northern Brands International pleads guilty to evading U.S. taxes and agrees to pay US\$15 million as part of a plea bargain.¹²
- March 25, 1999:** A former senior executive with RJR-Macdonald and Northern Brands International pleads guilty to a smuggling conspiracy. It is reported that the conspiracy defrauded the Canadian government of more than US\$ 650 million in tobacco taxes. The plea bargain in U.S. district court in Syracuse, New York includes a seven-year jail term, although this was still to require court approval.¹³

- March 26, 1999:** RJR-Nabisco acknowledges that its Canadian subsidiary RJR-Macdonald is co-operating with the R.C.M.P. in a smuggling investigation relating to the same events that gave rise to the Northern Brands International investigation.¹⁴
- April 17, 1999:** *La Presse* reports that RJR-Macdonald and Revenue Canada are discussing a plea bargain arrangement for smuggling that would see the company pay about \$150 million in fines.¹⁵
- April 28, 1999:** Imperial Tobacco Chairman, Don Brown, tells the *Montreal Gazette* that Imperial Tobacco willingly supplied cigarettes for eventual return to Canada via smugglers.¹⁶
- May 3, 1999:** *Globe and Mail* reports that the RCMP executed a search warrant at the RJR-Macdonald headquarters in Toronto and its factory in Montreal.¹⁷
- Dec. 18, 1999** William Marsden, an investigative journalist, publishes an extensive article in the *Montreal Gazette*, revealing in detail how tobacco companies were deeply involved in orchestrating smuggling of cigarettes into Canada.¹⁸ Mr. Marsden later wins an award for excellence in investigative journalism for this article.
- Dec. 21, 1999** Government of Canada files a suit against RJR-Macdonald and the CTMC in U.S. court for \$1 billion in damages resulted from their conspiracy in cigarette smuggling.¹⁹
- 2000** Non-Smokers' Rights Association makes extensive information on tobacco company involvement in smuggling available on its website.²⁰
- March 25, 2000** The *Globe and Mail* receives a leaked report from the intelligence division of Canada Customs and cites it as saying: "The major tobacco companies in Canada knowingly supplied major smuggling operations."²¹
- June 29, 2000** New York Judge Thomas McAvoy strikes down Canada's lawsuit on the grounds that U.S. courts can't be used to collect the taxes of another country.²²
- July 28, 2000** Canada announces that it is appealing McAvoy's decision.²³
- Nov. 6, 2000** European Union files RICO lawsuit in New York against Philip Morris and RJ Reynolds.²⁴
- January 2001** Germany, Spain and Italy join the European Union lawsuit, each claiming they have been defrauded by Philip Morris and RJ Reynolds.

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