

Intro

As Congressman Tauzin mentioned, defending our tobacco interests in Washington in 1993 is complicated in no small measure by stark and certain realities --

- We confront a hostile Executive Branch which has characterized the tobacco industry as a villain much as it has “special interests” and, as in the tax debate, tax the rich, playing the politics of class .
- A limited support base in Congress which is complicated by the grower-manufacturer dispute over significant increases in imported leaf.
- A well-financed and sophisticated lobby in opposition to tobacco which has formally organized a caucus of approximately 30 members and is ready to hit us on multiple issues on multiple fronts to see which might stick. There is pent-up legislative demand. So now, after 12 years of conflict or at best neutrality from the Executive Branch, our opposition is enthused over the prospect of cooperation from the White House.
- An unfriendly media which has been showcasing our alleged misconduct on an almost daily basis.
- An unsympathetic public which has intimidated our

consumers or “grassroots.”

The Administration

While the Administration got off to a slow start, getting bogged down with the Zoe Baird confirmation and the gays in the military issue, the President’s State of the Union address marked a turning point. Clinton is much like Reagan in his ability to dodge bullets even on reversals of campaign promises such as the Haitian refugee problem. Not surprisingly, the White House has apparently studied Reagan’s early years, both in terms of adapting Reagan’s staging techniques, as well as, his legislative strategy.

The most important thing to remember about this Administration is that it is being run using election campaign strategy. And, as was done during the campaign, Clinton will select “black hat” targets to demonize in order to generate press stories. This willingness to go for form over substance also helps divert attention from the real problems and solutions.

Clinton is not only good at that outside game, but his inside game is even better. He is a relentless lobbyist. He met with the freshmen class three times prior to the budget vote. It is not unusual to hear that he has called a Member of Congress at close to midnight on a vote.

And, he blatantly punishes dissenters and rewards supporters. Senator John Breaux who wants to amend Clinton’s stimulus

package recently remarked that he was relieved that "The White House didn't threaten to move the Superdome out of Louisiana." No wonder this strategy has forced many seemingly intractable corporate executives to become reluctant supporters.

And you know that it is serious when you are being taken on in a frontal attack as we are. James Carvill and Stan Greenberg, their pollster, are clearly orchestrating the message and David Wilhelm, the new DNC Chair, is organizing the grassroots, a shadow Perot operation. As long as they keep the President's numbers up, they will continue the tactics.

We are beginning to develop relationships with the new White House.

The Opposition

The one thing that could blunt the Administration's overdrive -- a strong opposition -- is distinctly lacking. The Republicans have not managed to launch anything like a unified response to any of the proposals let alone manage to capitalize on Clinton's blunders. In the House, the Republicans are virtually irrelevant, although their numbers (176) are greater than under Carter and Kennedy. Clearly, the Senate is the strength of the Republican Party. They have and will continue to practice cloture politics which only requires 41 Senators to modify a bill. In fact, they just proved that by forcing debate on the motor voter bill to last nearly two weeks gaining concessions.

Our Congressional Allies

The key to the tobacco tax debate is the southern tobacco Democrats. How tenaciously they fight the battle with the White House, within the Democratic Caucus, with the Leadership and the Tax Chairman will determine the amount of the tax. This Congress, they are a more moderate group than their more conservative predecessors and want to be cooperative with their Democratic White House. In the Senate, Wendell Ford as Majority Whip, is the most important player. He has the difficulty of balancing his institutional leadership and needed loyalty to the White House with tobacco interests. Hollings and Sasser can help on the margins. Helms has and will continue to play a bomb thrower role using procedure. Unfortunately, the only southern tobacco Senate seat up for election in 1994 is the Tennessee seat. And there, the leading candidate, Cong. Jim Cooper has proposed tobacco excise taxes to pay for health care. It isn't easy!

Given this landscape, how are we responding to the Administration's attack?

First, our strategy is based on two messages which should have political appeal to the White House - that the tax burden would hit disproportionately on the middle class and working poor, constituencies the White House has targeted for its reelection base. And, the potential job loss which could be so extensive it might exceed the jobs created by the President's stimulus program. The

job loss would be potentially acute in areas already hit by military base closings.

These messages are most effectively carried by the tobacco Members of Congress, the growers and our unions.

Traditionally, southern Democrats have been pivotal votes on contentious issues. As a bloc of 35-40 Democratic votes, they are a potent force for an Administration which will be facing a tough go on health care. We have met with nearly all of the members over the past month, and encouraged them to call the White House, write the White House, and urge their constituents to do the same. We helped organize a meeting with these Democrats with Howard Paster, the White House congressional liaison chief to get the message into Clinton in bloc. They signed a letter to Clinton and today will be meeting as a group with Foley and Gephardt, to ask that the House Leadership relay their intense opposition as well as put the House Leadership on notice that they will be a force to deal with. Individual members who are close to Ways and Means Chairman Rostenkowski have had several discussions.

In order to overcome the imported leaf issue which clouds our relationship with the tobacco members -- and certainly not helpful in terms of motivation -- PM has offered a domestic content proposal in exchange for some flexibility in leaf pricing. This plan has been well received by both Rose and Ford. In fact, Rose has "adopted" the scheme as his own in floating various elements to the press over the last few weeks. They understand that a high excise

tax will only accelerate the industry's increased use of offshore tobacco so a deal which combines a lower excise tax with a legislative scheme that stabilizes the quota has great appeal.

We have also been talking to members and staff on the Tax Committees. And, on a daily basis we have been following the closed sessions of the financing cluster of the White House Health Care Task Force through participating congressional staff.

Next week, during the Easter recess, our state lobbyists who have close relationships with targeted Members will be visiting them back home.

As part of our initial grassroots mobilization, Tax Committee and Tobacco Members received nearly 14,000 calls from constituents. A letter writing campaign, which combines the resources of both RJR and PM, is being initiated targeting the White House and the Congress.

Also on the state and local level, we are contacting state and county Democratic Party chairmen in the Southeast and urging them to contact the White House and DNC Chairman Wilhelm, with whom I will be meeting next week. We have contacted all of the Democratic Governors from tobacco states and encouraged contact with the President.

We have activated the tobacco grower organizations. There have been numerous meetings on Capitol Hill with the Farm Bureaus

from Virginia, Kentucky, South Carolina and North Carolina. PM's Farm Leaders organization met for three days visiting their Members and urging them to call the White House. A mass mobilization reaching 50,000 growers has gone out and this month's Tobacco Grower Newsletter is devoted exclusively to federal excise tax. We have supplied information packets on the economic impact to all of the flue cured and burley leadership.

Our unions -- principally BC&T, the Teamster and Machinists -- are active on the issue. BCT has initiated petition drives in all manufacturing and leaf processing facilities whether union or non-union nationwide. They are continually reinforcing the anti-excise tax message with the AFL leadership. They are doing a letter writing campaign to Clinton and have identified workers who will participate in media interviews to further strengthen the jobs argument.

We are in constant contact with the union representatives who are called to the meetings with the White House Task Force on a nearly weekly basis. Last week, they were informed by Magaziner that the Health Care package would cost more than anticipated and that the Administration was looking at VAT proposals. Labor -- to protect their benefits from taxation/deductible caps -- is now expressing support for a VAT which excludes food and housing (5%-21 billion over 5).

We have also been involved with three Labor organizations which are actively pushing progressive taxation and are very influential

with the White House. Citizens for Tax Justice, headed by Bob McIntyre will be prepared to do media when the White House releases its proposal. The White House went out of their way to try to appease McIntyre on the deficit package and will be anxious to have his endorsement of their health care proposal.

Labor's Economic Policy Institute, an organization which Magaziner and Secretary of Labor Reich were once members of the Board, will be releasing a first of a kind baseline analysis showing the regressivity of the current health care system on April 7. Prior to the release, they will brief Magaziner and Bob Rubin. Once the Clinton health care proposal is delivered, they will have a news conference and evaluate the new proposal in comparison to the current regressive system.

Citizen Action, a grassroots organization, has delivered 1 million petitions to the White House favoring a new health care system which is progressively financed. Interestingly, this group is one of the organizations which DNC Chairman Wilhelm would like to use in promoting the Administration's package.

Other allies include The Coalition against Regressive Taxation, a group of excise taxed industry, which held a press conference two weeks ago and presented job loss and regressivity analyses as a result of doubling excise taxes. PM has organized state CARTs in Tax Committee Member states, which are contacting state and local legislators as well as the Congressional Delegations.

We have been very involved with the leading Hispanic coalition -- LULAC -- in developing a study by Peat Marwick which compares several different health care funding sources including excise taxes and their impact on the working poor. Last week LULAC held a press conference with the results of the study .

The study was released to the Washington Media, mailed to every Member of Congress, 40 Administration officials with a Spanish translation mailed to Hispanic news outlets nationwide. We will help them organize a meeting with the Congressional Hispanic Caucus and urge that representatives of the Congressional Black Caucus also attend.

We have also been instrumental in developing a Health Care Cost Containment Study sponsored by The Committee for a Responsible Federal Budget whose bipartisan Board consists of former Members of Congress and Administration officials. The study, which will be issued shortly, will highlight savings in the current health care system which should be used first to fund access rather than immediately resorting to significant taxes.

What is the outlook?

Today, President Clinton will be meeting with Ira Magaziner and the Financing Cluster Group to review the seven options on the table, including excise taxes. Obviously, our activities to date have been directed at trying to influence the political side of the White

House with the goal of taking us off the table or significantly reducing the number.

As the White House makes final decisions on major elements of the plan like financing, we expect them to shop them on the Hill with the Congressional leadership. That will be the second stage in this process when our Congressional supporters can push to modify their proposal. And, after the final proposal is delivered to the Congress in May, if we are in the package, we will then shift our lobbying focus to the Hill and the Tax Committees.

How the White House will push a health care plan through this year is anybody's guess. Trying to remake 10% of the economy within several months when the Congress is still dealing with the budget bill, containing one of the largest tax proposals in history, seems impossible. It is political and legislative overload. However, Clinton wants to use this honeymoon period. And he can phase in the health care program over several years with larger tax increases in the out years. Unfortunately, under that scenario, tobacco taxes could be used as a sort of bridge loan.