

CONFIDENTIAL

June 9, 1975

NOTES RE U.S.S.R. MINISTRY OF FOOD

APOLLO SOYUZ CIGARETTE PROJECT.

1. U.S.A.-U.S.S.R. agreements signed in May 1972 set forth the principle of scientific and technical cooperation between the U.S.A. and U.S.S.R. and it has been United States government policy to foster cooperation in the fields of trade and commerce. This follows the general policy of detente of which the Apollo Soyuz space link-up project is itself an example.
2. Agreement on Scientific and Technical Cooperation between the State Committee of the Council of Ministers of the U.S.S.R. for Science and Technology and Philip Morris Incorporated was signed on March 22, 1974 in Moscow. Under this agreement, Philip Morris and the U.S.S.R. Council of Ministers agreed to scientific and technical cooperation in several of the businesses in which Philip Morris engages including cigarettes and tobacco. The agreement has a term of five years and is one of a number of agreements which the U.S.S.R. has signed with leading United States companies.
3. The Apollo Soyuz cigarette was suggested by Voldemar P. Lein, Minister of Food Industry of the U.S.S.R. in connection with the signing of the March 1974 agreement between Philip Morris and the U.S.S.R. Council of Ministers. U.S.S.R. tobacco industry has had tradition of manufacturing cigarette brands to commemorate Soviet achievements including major space accomplishments such as the original Sputnik flight and Sputnik II which launched the dog Leika into space in 1967. U.S.-U.S.S.R. cooperation on the Apollo Soyuz commemorative brand appeared appropriate in view of Soviet policy of cooperation with the U.S. in Apollo-Soyuz space project itself and in cigarette manufacturing.
4. Details regarding production. Apollo Soyuz cigarette has been manufactured by the Yava Cigarette Factory in Moscow. The tobacco blend in the cigarette includes both American and U.S.S.R. tobacco. Apollo Soyuz is the first American-type cigarette manufactured in the U.S.S.R. and also the first American-type cigarette available for purchase with Soviet currency. The package has been

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jointly created by Philip Morris and the U.S.S.R. tobacco industry. A special presentation carton includes a reproduction of a painting by Alexei Leonov, the Commander of the Russian Cosmonauts, who will fly the Soviet rocket used in the Apollo Soyuz space mission. Philip Morris has been advised that this carton will be presented to the highest Soviet officials.

5. Details regarding Distribution. Proposed distribution of the Soviet manufactured Apollo Soyuz cigarette is as follows:

U.S.S.R.	90%	2,250,000 cartons
U.S.A.	3%	76,000 cartons
Other countries	7%	175,000 cartons

U.S. distribution will represent .000025 of cigarettes sold on the U.S. market during the year 1975. This distribution will be on a "one shot" basis presenting the cigarette as a souvenir of the event. After the 76,000 cartons have been sold, no further sales will be made in the United States. Although it is recognized that U.S. distribution is very small relative to the U.S. market for cigarettes and total Apollo Soyuz distribution, Soviet representatives have indicated that it is extremely important to them that sales be made in the U.S. market inasmuch as the Ministry of Food's Apollo Soyuz cigarette is intended to symbolize scientific and industrial cooperation between the United States and the U.S.S.R.

6. Details regarding Price and Cost. The U.S. retail price of the cigarette has not yet been finally determined but it is expected that the cigarette will be priced at approximately \$1.25 per pack vs. an average price of American cigarettes of, say, 55 cents. After considering the cost to Philip Morris of distribution and selling as well as other estimated expenses (including import duties and the cost of repurchasing unsold cigarettes), U.S. distribution of the cigarette is not expected to yield any profit to Philip Morris and will probably result in a loss.
7. Further steps in Philip Morris-U.S.S.R. negotiation.

Philip Morris believes that U.S.S.R. Apollo Soyuz cigarette

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U.S.S.R. Apollo Soyuz Cigarette Project (continued)

project is an important step in its negotiations with the Soviet Food Ministry. Specific future projects remain the subject of negotiation. Philip Morris looks to significant commercial ventures which will benefit the American balance of payments with the U.S.S.R.

8. Need for Confidentiality. The U.S.S.R. has asked Philip Morris to maintain the Food Ministry's Apollo Soyuz Cigarette Project as strictly confidential prior to the expected official Soviet announcement in Moscow on July 8, 1975. Philip Morris will not sell any Apollo Soyuz cigarettes if space shot is not successful.

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