

THE ROLE OF TRADE IN THE GLOBAL TOBACCO EPIDEMIC

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World Health
Organization

OUTLINE

TOBACCO: A VERY UNIQUE CONSUMER PRODUCT

TOBACCO KILLS, MAIMS AND CAUSES EXTREME PAIN AND SUFFERING

TOBACCO HARMS HUGE NUMBER OF PEOPLE

**TRADE AND INVESTMENT LIBERALIZATION LEADS TO INCREASED
TOBACCO USE**

TRADE AND INVESTMENT: NEW TACTICS OF THE TOBACCO INDUSTRY



TOBACCO: A VERY UNIQUE CONSUMER PRODUCT





PRINCIPLE OF CONSUMER SOVEREIGNTY

- Individual consumers are the best judges of how to spend their money on goods. In this way, society's resources are allocated as efficiently as possible.
- Assumptions:
 - Rational and informed choices after weighing the costs and benefits of purchases, and,
 - Incurs all costs of the choice

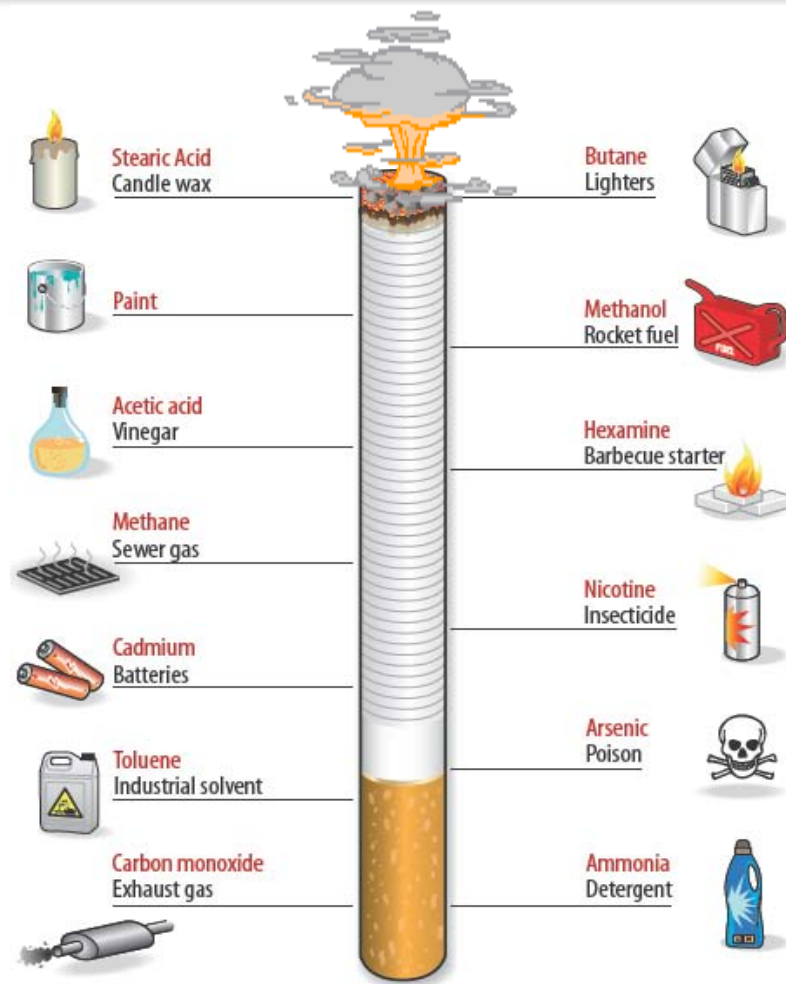


CHOICE OF BUYING TOBACCO DIFFERS FROM THAT OF OTHER GOODS

CHOICE	
RATIONAL	Tobacco is addictive. Choice is affected by the need to avoid withdrawal
INFORMED	Many tobacco users not aware of cost of smoking (high probability of disease and premature death) 
INFORMED	At age of initiation (10-18) tobacco users seriously underestimate future health impact 
COSTS	Tobacco users impose costs on other individuals, both directly and indirectly

A UNIQUE PRODUCT

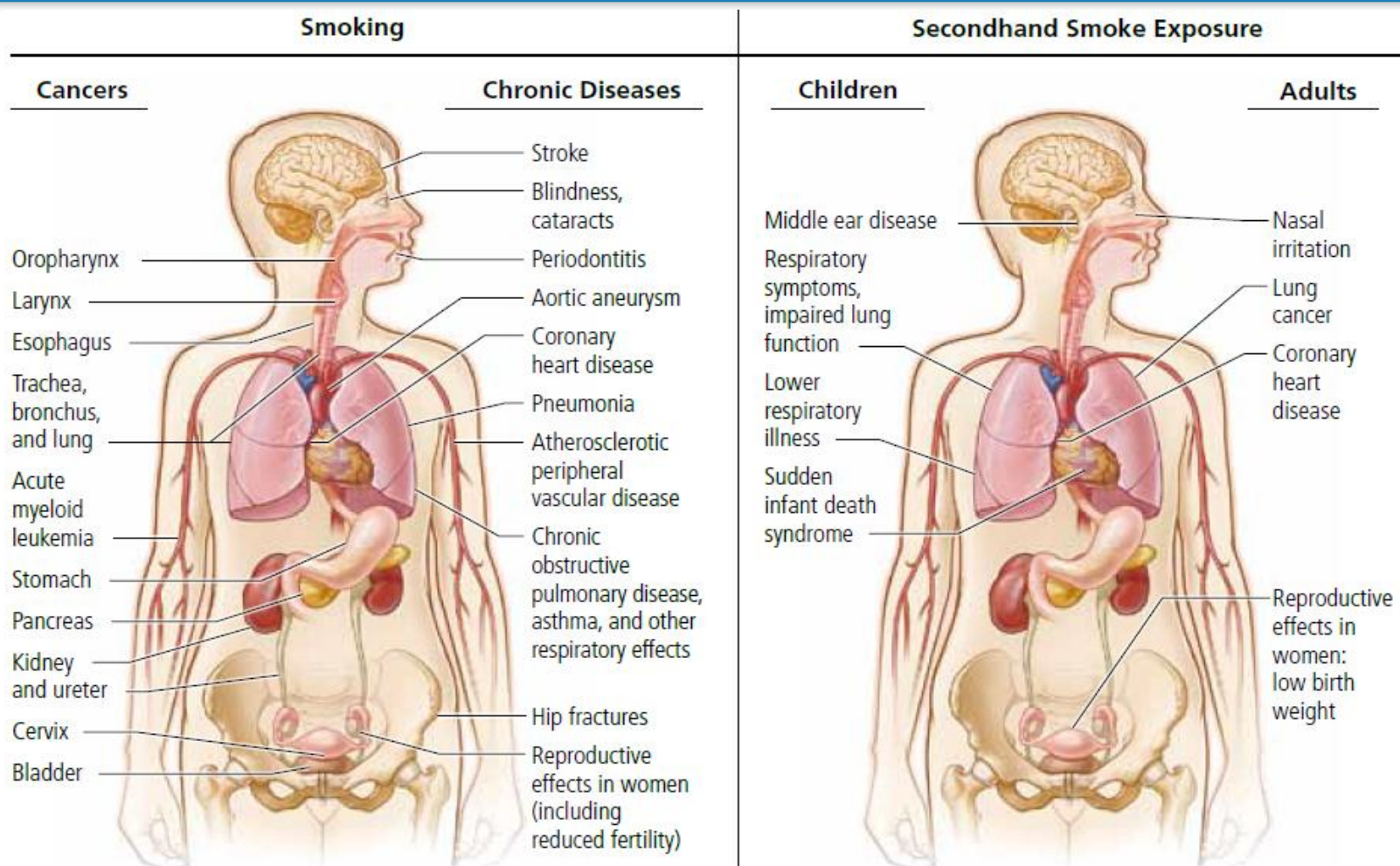
- IT IS ADDICTIVE
NICOTINE
- CONTAINS MORE THAN
4000 KNOWN CHEMICALS
- IT IS THE ONLY LEGAL
CONSUMER GOOD THAT
KILLS HALF OF ITS
USERS WHEN USED AS
DIRECTED BY THE
MANUFACTURER



TOBACCO KILLS, MAIMS AND CAUSES EXTREME PAIN AND SUFFERING

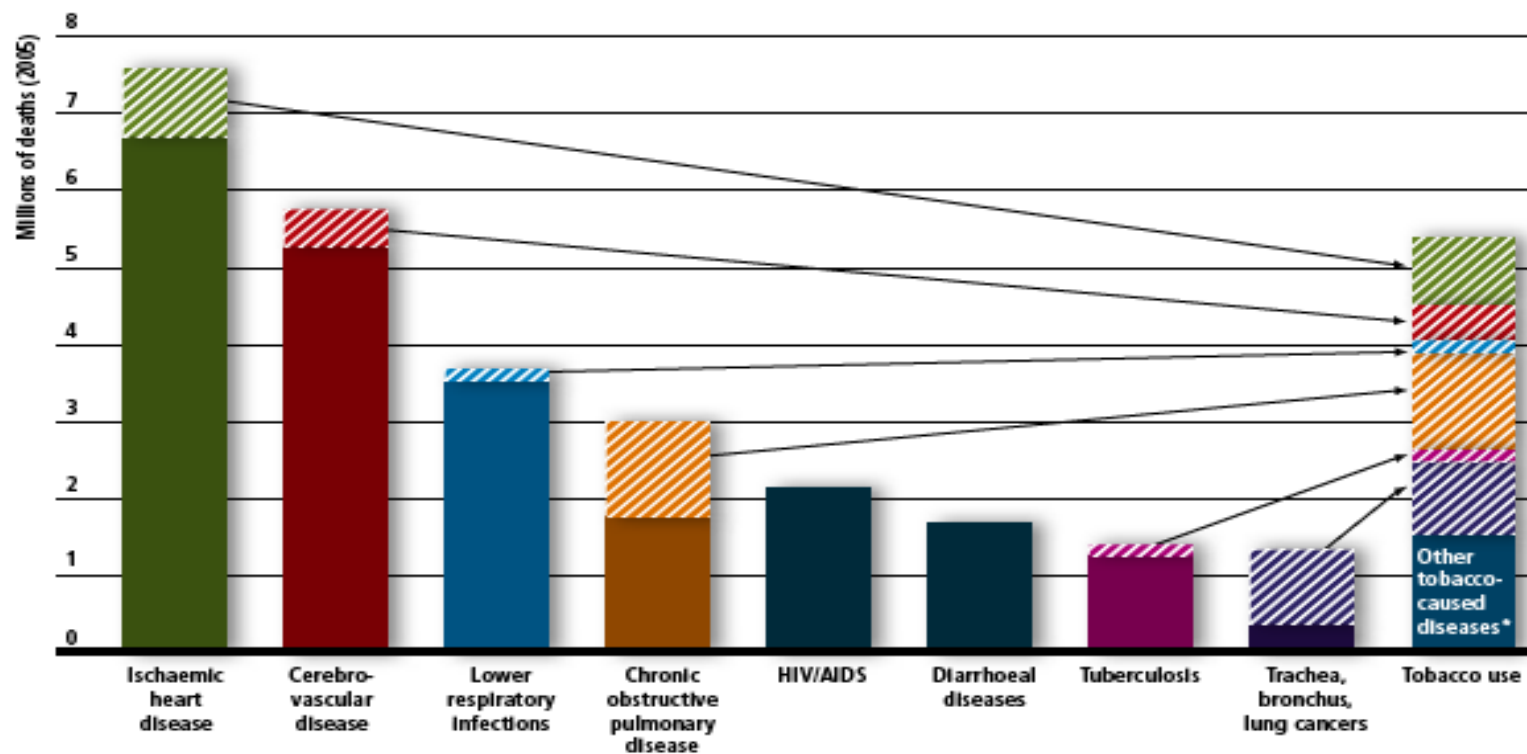


TOBACCO USE AND EXPOSURE TO SECOND-HAND SMOKE KILLS AND MAIMS



The Tobacco Epidemic - Today

TOBACCO USE IS A RISK FACTOR FOR SIX OF THE EIGHT LEADING CAUSES OF DEATH IN THE WORLD



Source: WHO 2008





SMOKELESS TOBACCO (MUKESH) TVC
50 Sec.
ENGLISH
18 12 2010



TOBACCO HARMS HUGE NUMBER OF PEOPLE



Tobacco kills ...

...nearly 6 million people each year.

22% of global cancer deaths
71% of all lung cancer deaths
10% of cardiovascular disease deaths

90% of all deaths from chronic obstructive lung diseases
42% of all chronic respiratory disease are attributable to cigarette smoking.



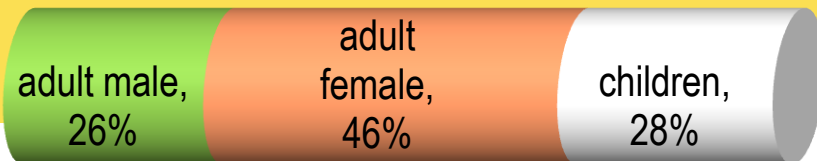
Source: WHO Global status report on noncommunicable diseases, 2010, http://www.who.int/nmh/publications/ncd_report2010/en/



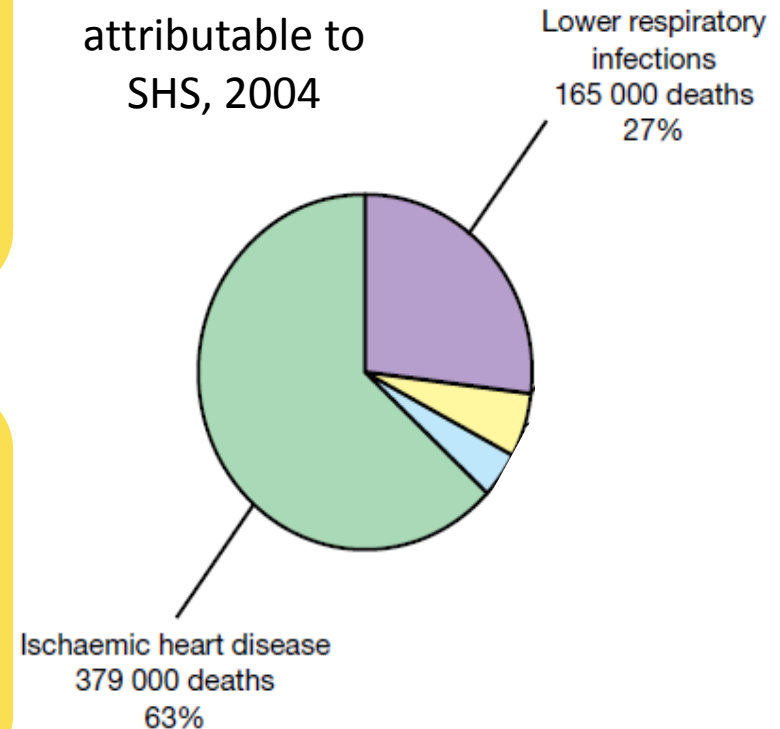
Exposure to second-hand smoke also kills

One third of adults are regularly exposed to second-hand tobacco smoke.

About **600 000 people** die each year prematurely as a result of exposure to second-hand smoke.



Distribution of total deaths attributable to SHS, 2004



Source: Global estimate of the burden of disease Mattias Oberg ... [et al], WHO 2010, http://www.who.int/tobacco/publications/second_hand/global_estimate_burden_disease/en/index.html

THE TOBACCO EPIDEMIC IS ABOUT TO GET MUCH **WORSE**



Tobacco currently kills nearly 6 Million/year but this will increase to **over 8 Million/year** in a few decades.

If current smoking patterns continue, Tobacco could kill up to **1 Billion** persons in the 21st Century unless urgent action is taken



TRADE AND INVESTMENT LIBERALIZATION LEADS TO INCREASED TOBACCO USE



TRADE IN TOBACCO

International trade in manufactured tobacco products such as cigarettes has increased rapidly since the mid-1980s.

Potential Causes:

- Inability of a specific country to produce tobacco products in sufficient quality/quantity = increased importation.
- Price differentials in tobacco products between different countries = increased importation/exportation.
- Reduced trade barriers, import bans, tariffs, quotas, and domestic content requirements = increased trade in tobacco products.



THE RELATIONSHIP BETWEEN TRADE LIBERALIZATION AND TOBACCO



Lowering of barriers to trade in tobacco leads to:

Increase in supply

▶ lower prices

Enhanced product competition

▶ lower prices; and

▶ Increase in advertising

Brand proliferation

▶ Increase in size of tobacco market

These factors lead to:

Increase in tobacco consumption

▶ Increase in tobacco-related deaths and disability



RELATIONSHIP BETWEEN INVESTMENT LIBERALIZATION AND TOBACCO



Liberalization of Foreign Direct Investment (FDI) leads to:

- Easier transfer of capital, technology & know-how ► economic benefits
- Increase in gross capital formation ► economic benefits

These economic benefits lead to:

- Increase strength of local presence for tobacco companies
- Increase in capacity of tobacco companies to lobby government officials and influence policy.



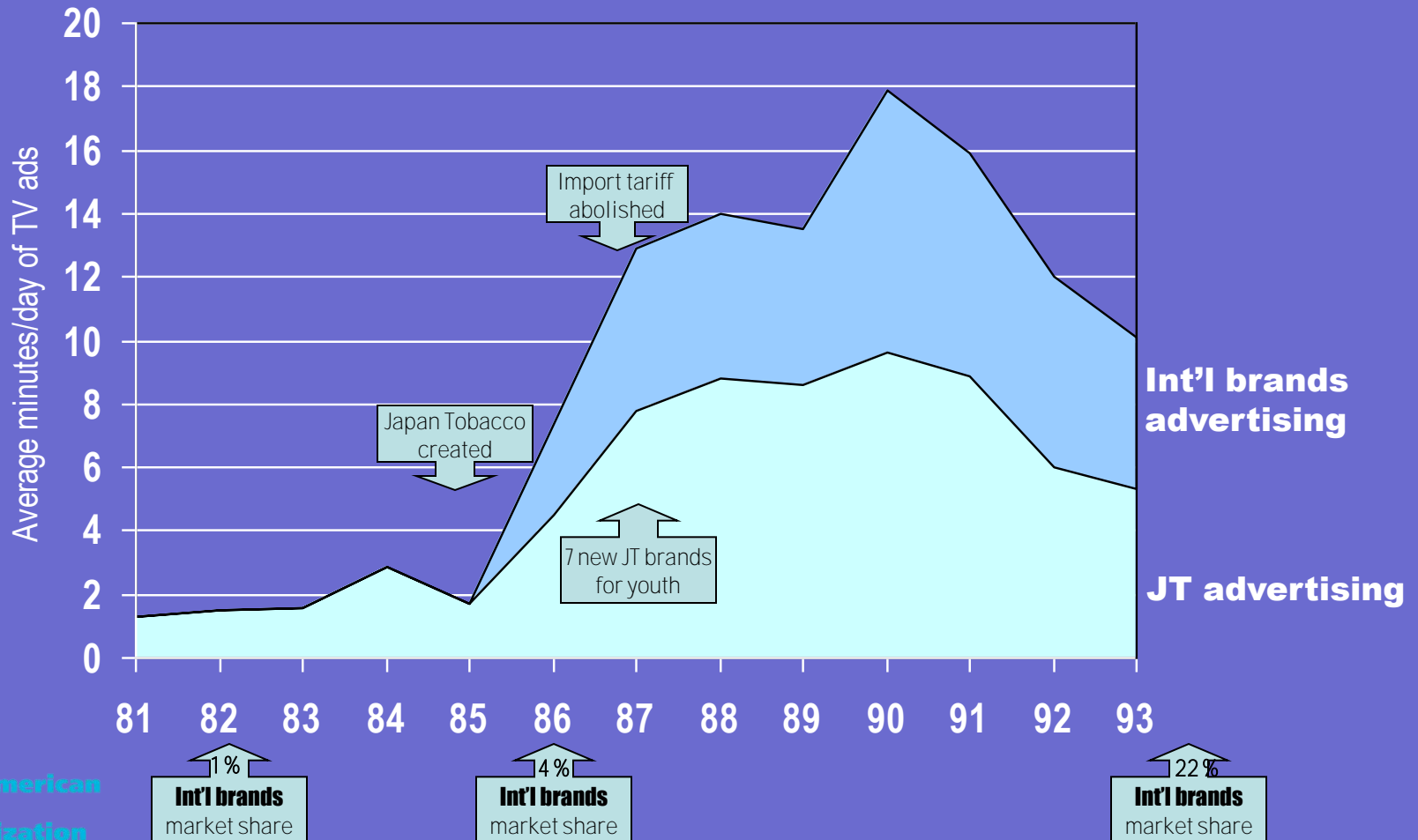
Trade and Tobacco: The linkages

- Import penetration was found to contribute to higher levels of cigarette consumption in low- and middle-income countries
- Econometric research supports the premise that trade openness leads to higher tobacco consumption
- WHO-FCTC identifies measures to reduce the demand and supply of tobacco products. These include imposition of non tariff barriers



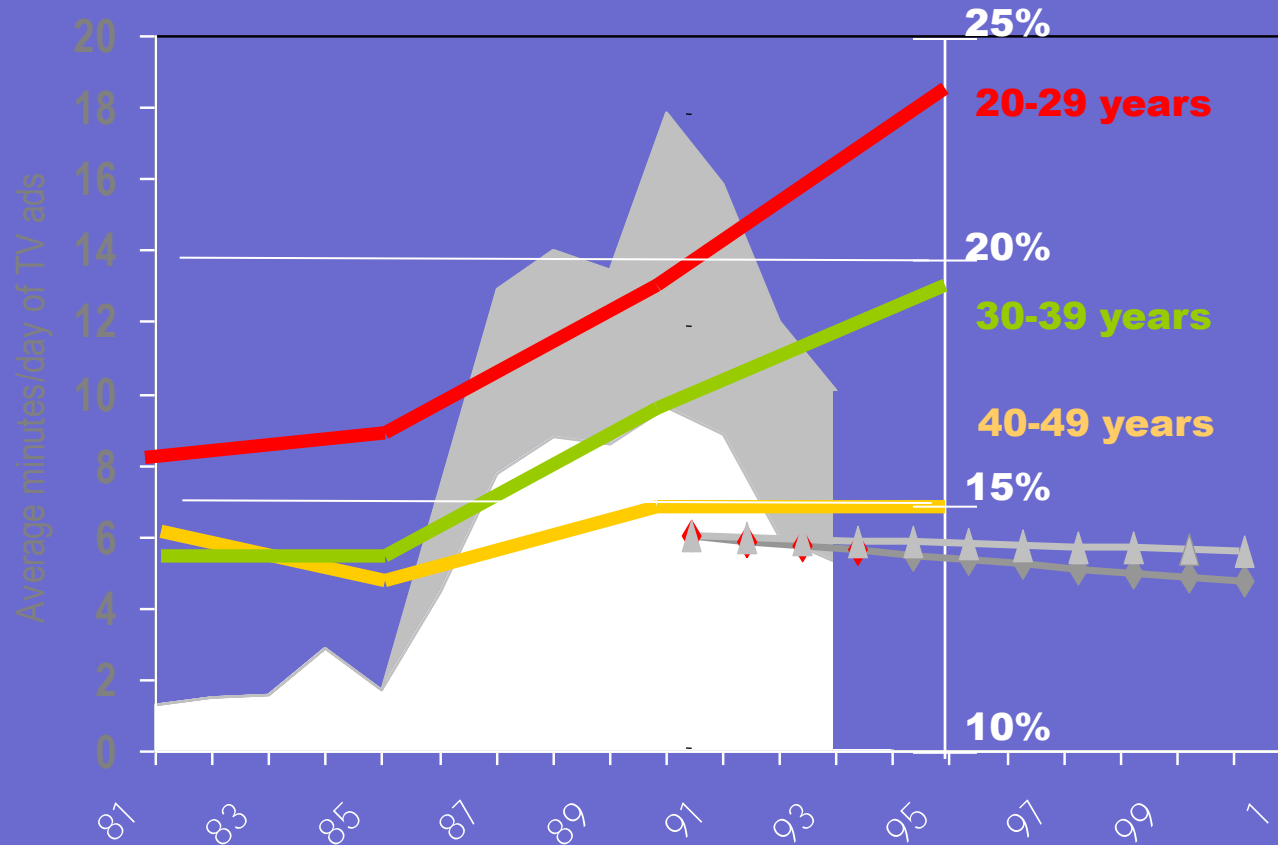
INCREASE IN TOBACCO ADVERTISING

JAPAN 1980-1995



INCREASE IN FEMALE SMOKING PREVALENCE

JAPAN 1980-1995



↑1%
Int'l brands
market share

↑14%
Int'l brands
market share

↑7 new JT brands
for youth

↑22%
Int'l brands
market share

TRADE AND INVESTMENT: NEW TACTICS OF THE TOBACCO INDUSTRY



Exploitation of Trade Liberalization

The tobacco industry has voiced its strong interest in taking advantage of trade liberalisation to enter and develop new markets.

PHILIP MORRIS:

“Removal of [trade] barriers will provide us with expanded market opportunities”

“Until recently, perhaps forty percent of the world’s smokers were locked behind ideological walls. We’ve been itching to get at them....that’s where our growth will come from”

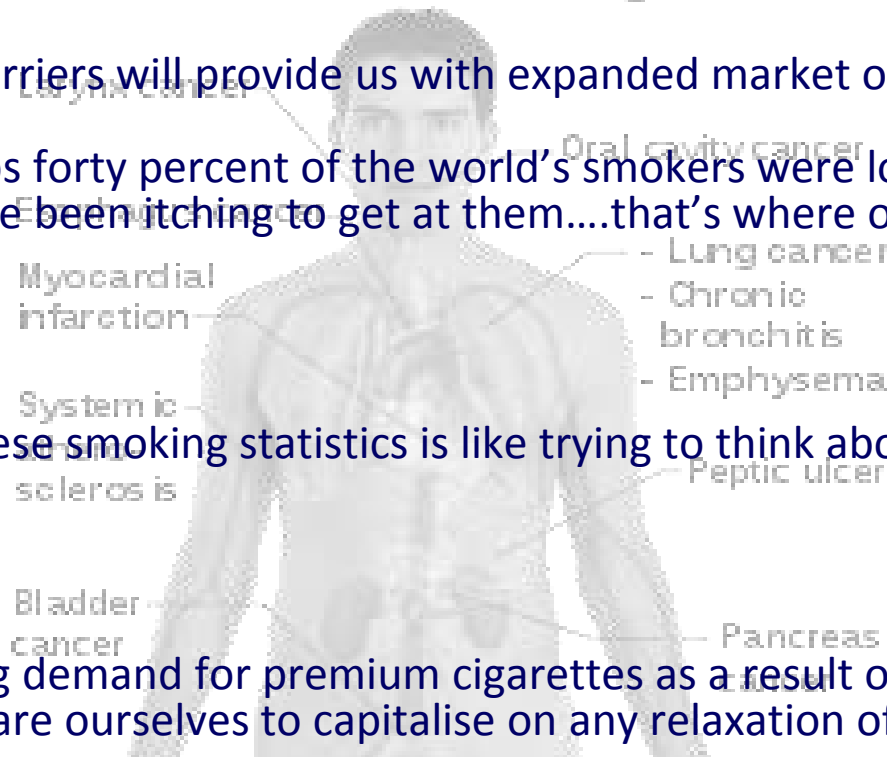
ROTHMANS:

"[t]hinking about Chinese smoking statistics is like trying to think about the limits of outer space"

PHILIP MORRIS:

"In view of the growing demand for premium cigarettes as a result of rapid economic growth, we must prepare ourselves to capitalise on any relaxation of rules or regulations"

Common adverse effects of
Tobacco smoking



Targeting Developing World Markets

- Tobacco companies have adopted aggressive strategies to expand global trade and achieve market penetration in developing countries and emerging market economies
 - They entered Latin American markets in 1960s
 - Those of the newly industrialized economies of Asia in the 1980s
 - Markets of Africa, China, and Eastern Europe in the 1990s
- Youth and women are the prime targets for these campaigns.



Case Study: China's Accession to WTO

- British American Tobacco lobbied European Union and United States authorities to urge China, as a part of its accession agreement:
 - to lower tariffs on tobacco products, and
 - to remove the distribution monopoly and special licensing requirements for the sale of imported tobacco products



CHALLENGES

CHALLENGES



CHALLENGES FOR TOBACCO CONTROL POSED BY TRADE AND INVESTMENT AGREEMENTS

CHALLENGES TO COORDINATE TRADE AND INVESTMENT POLICY WITH HEALTH POLICIES:

- Opposing adoption of tobacco control measures that have been endorsed in other international forums, such as the by WHO FCTC
- Lowering tariffs on tobacco products without using other measures, such as taxes, to negate the impact of lower tariffs on prices
- Making commitments to foreign investors that could undermine the ability of the government to implement its public health agenda
- Entering international investment agreements that fail to clarify the meaning of key provisions (Philip Morris against Uruguay).



CHALLENGES FOR TOBACCO CONTROL POSED BY TRADE AND INVESTMENT AGREEMENTS

LEGAL CAPACITY CONSTRAINTS AND THE EROSION OF POLITICAL WILL

- Industry arguments appearing more credible in the eyes of government than they may actually be, and increased costs associated with tobacco control because of legal fees
- Financial and other risks associated with losing a claim also increase the potential cost of a government policy.
- Capacity building can be more difficult in the context of international investment law because the field lacks a unifying multilateral regime like the WTO .



CHALLENGE:

**PROTECT HEALTH WHILE
MAXIMIZING ECONOMIC
BENEFITS OF TRADE AND
INVESTMENT**



Is the understanding different in other regions?

- In **China**, about **half** of smokers **IGNORE** that smoking causes heart disease and **more than two-thirds** that smoking causes stroke
- In **India**, **more than one-third IGNORE** that smoking causes heart disease and **more than half** that smoking causes stroke.

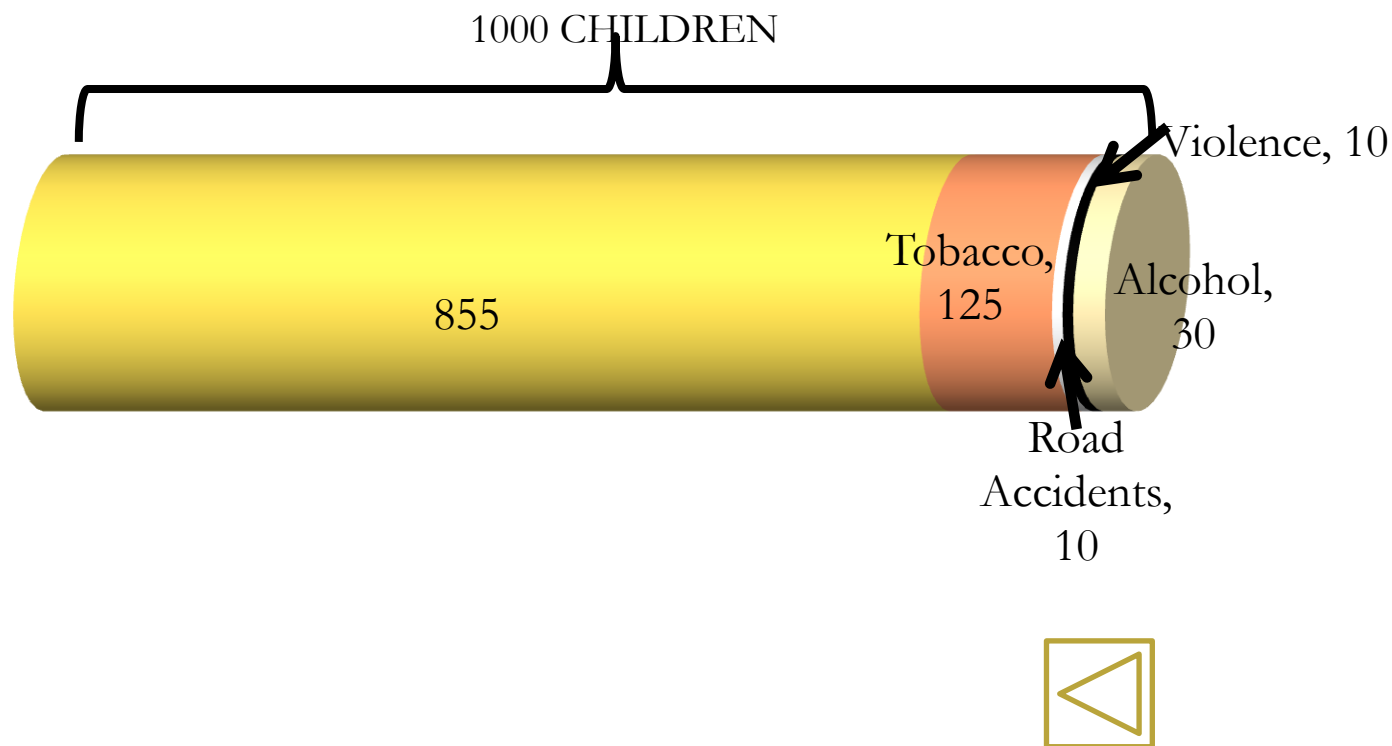
Cardiovascular harms from tobacco use and secondhand smoke

GLOBAL GAPS IN AWARENESS AND IMPLICATIONS FOR ACTION

APRIL 2012



OF EVERY 1000 CHILDREN THAT REACH THE AGE OF 15, 125 WILL DIE IN MIDDLE AGE FROM TOBACCO



Thank You»



TOBACCO FREE INITIATIVE

TOWARDS A TOBACCO FREE WORLD

