Section 5
Policy and Other Influences on the Supply of Tobacco Products

Chapter 12
Tobacco Manufacturing Privatization and Foreign Direct Investment and Their Impact on Public Health

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The inflow of foreign direct investment (FDI) and the privatization of state-owned tobacco enterprises have increased for two reasons: (1) the rising globalization of industry in general and (2) the trend toward fewer government-owned business monopolies. This chapter examines the forces that drive FDI and privatization and their impact on global tobacco control efforts and public health. Specifically, this chapter discusses:

- The broad rationale for foreign stakeholders to invest in the tobacco industry, including globalization trends, FDI policies, and economic factors—particularly in low- and middle-income countries, where tobacco may attract the largest amount of such investment
- The economic and political issues surrounding the privatization of state-owned cigarette manufacturing industries
- The current global ownership status of tobacco industries, by World Health Organization Region
- Public health concerns that arise from FDI and privatization trends, including the multinational tobacco companies' motivation to expand markets, the economic and political leverage that influences tobacco control policies, and the impact of increased production differentiation and pricing.

Country-specific cigarette consumption trends show that FDI and privatization of tobacco enterprises are not inherently bad for tobacco control. When the privatization of state-owned cigarette manufacturing industries occurs transparently and without obligations to manufacturers, privatization removes the conflicts of interest from governments that own their tobacco industries. Unfortunately, these conditions have not been the norm.

Countries that implement strong and comprehensive tobacco control policies following privatization have been effective in reducing tobacco use. In contrast, tobacco use has increased in countries without these policies. These results, in conjunction with the economic and social trends that surround FDI and privatization, underscore the importance of both public health policy and appropriate regulatory frameworks in the ongoing evolution of global ownership and investment trends in the tobacco industry.

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> Cross-border mergers and acquisitions are a part of economic life in a liberalizing and globaliz[ing] world. But accepting a more open market in the interest of growth and development does not mean relaxing the requirements of public vigilance. On the contrary, a freer market—and particularly the emerging market for enterprises—calls for greater vigilance as well as stronger and better governance.
>
> —Kofi Annan, Former Secretary-General of the United Nations[1]

Introduction

Increasing globalization—the integration of markets across borders and regions of the globe—is a reality of today's world. Globalization influences the way the world does business for all goods and services, including tobacco.[2] This chapter explores two key characteristics of globalization and their impact on the tobacco industry: (1) the growth of foreign direct investment (FDI) and (2) privatization. Another key impact of globalization—reduced trade barriers between countries—is discussed in chapter 13.

During the past century the global tobacco industry, like many consumer product industries, consisted of a large number of individual companies. In many countries, tobacco manufacturing companies were owned and operated by the state. In the last four decades a range of factors have combined to encourage consolidation and privatization of tobacco companies, a trend that can be seen in many other industries.[3] During the 1990s, the forces of privatization in the tobacco industry accelerated, and by 2005 multinational tobacco companies (MTCs) had taken over many state-owned cigarette manufacturing companies in high-income countries (HICs) and low- and middle-income countries (LMICs). At the same time, MTCs also acquired many private local tobacco companies or cigarette manufacturing facilities. Although state-owned industries and niche producers still exist, today the global cigarette market is dominated by four major multinational firms—Philip Morris International (PMI) (including Altria in the United States), British American Tobacco (BAT), Japan Tobacco International (JTI), and Imperial Brands PLC—and one state-run firm, China National Tobacco Corporation (CNTC). Individual shares of the global cigarette market in 2014 range from 4.7% for Imperial to 16.9% for PMI/Altria and 44.2% for CNTC,[4] largely accounted for by the People's Republic of China's domestic market.

As an addictive and lethal product, tobacco differs greatly from other business products, and the impact of privatization of the tobacco industry is complex. General assumptions about the benefits of privatization to countries do not apply when an industry's growth and efficiency harm public health. Broad trends toward privatization of the tobacco industry clearly affect public health.

Many LMICs, fueled by FDI, privatized their state-owned enterprises as part of programs to address severe macroeconomic problems, transform economies, and promote efficiency and economic growth. FDIs can provide greater access to resources and markets, transfer technology and skills, and generate employment in host countries. Privatization can free national governments from the conflict of interest inherent in both owning a state tobacco industry and attempting to protect public health from the ravages of tobacco use. By removing these conflicts of interest, privatization could pave the way for policy-based interventions—such as smoke-free laws and higher taxes—that must ultimately be implemented by governments.

In addition to these benefits, privatization and FDI pose risks. The potential benefits of privatization may be diminished by concessions that governments accept in privatization agreements, such as tax and other incentives to tobacco companies. Acquisitions of private or state-owned tobacco industries often take place in countries with limited tobacco control infrastructure and weak regulatory controls, so that MTCs' activities in LMICs receive inadequate oversight. For example, legal requirements for corporate governance may be weaker in LMICs or countries undergoing economic or political changes. A weak regulatory environment enables MTCs to engage in aggressive and sophisticated marketing, which could enable them to enhance distribution channels and increase their total sales. At the political and policy level, macroeconomic concerns may dominate decision-making and eclipse concerns about public health.[5–7]

In many countries, tobacco production and sales are passing into the hands of MTCs that have the size and power to aggressively market tobacco to women, youth, and other vulnerable groups. Privatization leads to dramatic increases in production, marketing, and price competition. In most cases, consumption of cigarettes increases after privatization.[6] After privatization, tobacco industry growth may result in lobbying against excise taxes, limits on advertising, limits on smoking in public places, and other tobacco control policies.[5,6] For example, case studies from the Commonwealth of Independent States (an association of former Soviet republics) during the 1990s show the rapid pace of privatization in a time of economic transition and increased industry influence.[6,8,9]

This chapter examines the process of globalization, including the policy and market ramifications of FDI in general and of FDI in the cigarette manufacturing sector in particular; the economic and policy issues behind the privatization and globalization of tobacco and their impact on global public health; and the economic and political arguments for and against the privatization of state-owned cigarette-manufacturing industries. The chapter concentrates on FDI in cigarette industries because this is the tobacco product class so far most affected by FDI and for which data are widely available. It examines trends in the consumption of cigarettes in countries with different cigarette manufacturing industry ownership status and in countries where prevalence rates may be influenced by FDI. The chapter focuses on key public health concerns surrounding FDIs in tobacco in LMICs, including cigarette consumption and tobacco control policies.

Foreign Direct Investment: An Overview

According to the Organisation for Economic Co-operation and Development:

> [FDI] reflects the objective of obtaining a lasting interest by a resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise"). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, as well as a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.[10,p.7-8]

This economic definition is refined in most of the 3,000 international investment agreements (IIAs) countries have adopted to protect and promote foreign investment.[11] IIAs come in several forms, predominantly bilateral investment treaties (BITs) and investment chapters within free trade agreements (FTAs). Most IIAs use a broad, asset-based definition of FDI, which, in addition to the enterprise itself,

may cover intellectual property rights, contracts, and licenses or authorizations.[12] For example, the Korea–United States FTA covers "every asset that an investor owns or controls, directly or indirectly, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk."[13,p.11-23]

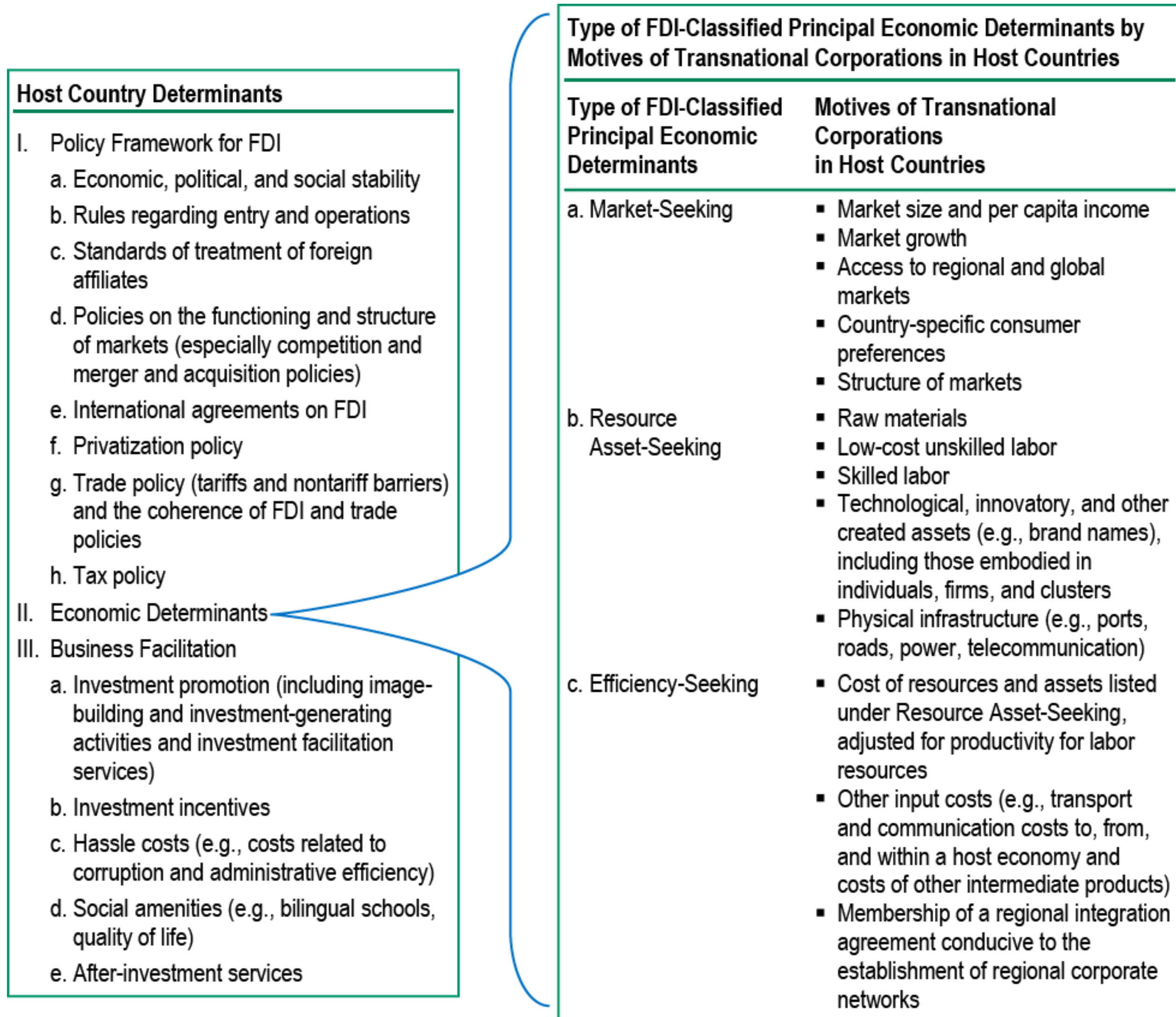
Most FDI transactions balance two types of stakeholder interests: (1) the needs of the investor for growth and (2) the needs of the recipient for capital. In an increasingly global economy, many firms expand into new countries to lower costs of production and raw materials, penetrate new markets, and leverage capital. Many smaller private firms have difficulty competing against the economies of scale brought by larger firms, and governments often view their state-owned enterprises as assets that can be turned into capital, particularly in the difficult budgetary environment of many LMICs. Above all, the interests of both types of stakeholders (investors seeking growth and recipients seeking capital) have increasingly converged in recent years due to increasing liberalization of the environment for trade and investment worldwide.

Trends toward more liberalized trade and investment date back to the middle of the 20th century, part of the process of reconstruction, especially in Europe, after the Second World War. The General Agreement on Tariffs and Trade,[14] precursor to the World Trade Organization (WTO),[15] took effect in 1948. Trade liberalization has gained much greater momentum in recent decades.[16] For example, the Multilateral Agreement on Investment, a broad framework for liberalizing investment across countries within the Organisation for Economic Co-operation and Development, took shape in the mid-1990s.[17] Although this framework was never fully implemented, it served as a model for subsequent bilateral and multilateral agreements, which in turn set the stage for growth in both FDI and privatization efforts. Since the 1980s, established economies have implemented policies to increase trade and financial flows, such as increasing the volume and variety of cross-border transactions in goods and services, allowing free international capital flows, diffusing technologies widely and rapidly, and promoting FDI to other countries.

To promote FDI, most HICs expanded a network of BITs and provided insurance to reduce the risks associated with investments in LMICs. LMICs joined this expansion especially during the 1990s by liberalizing their national FDI laws and implementing supplementary trade and privatization policies to promote FDI to their countries. By 2014, a total of 3,236 international investment arrangements existed, including BITs (2,902) and other IIAs (334).[18] Global tobacco companies have begun to finance state-to-state disputes at the WTO and directly challenge tobacco control measures through investor–state dispute settlement (ISDS).[19] The section "Trends in International Investment Law" in this chapter provides a closer look at the legal framework for tobacco FDI and litigation.

By 2012, total FDI generated 1.4 trillion U.S. dollars (US$) in revenues, and for the first time ever, FDI in LMICs accounted for a larger share of total FDI revenues than FDI in HICs (LMICs = 52% of total FDI revenues).[20] According to several studies, the most likely explanations of the propensity of a country, especially an LMIC, to attract FDIs are the size of host country markets and host country market factors such as gross domestic product (GDP), GDP per capita, and GDP growth.[21–26] Figure 12.1 presents more details about host country determinants of FDI.

Figure 12.1 Host Country Determinants of Foreign Direct Investment



Note: FDI = foreign direct investment.
Sources: United Nations Conference on Trade and Development 1998[184] and 2000.[1]

The inflow of FDI in LMICs is based predominantly on accessing natural resources and national or regional markets.[27] Other studies have found that FDI is driven by several other market determinants—skilled and cheap labor, existing infrastructure and raw materials, regional integration, trade and investment agreements and policies (ranging from tariff reduction among members to policy harmonization), and political and macroeconomic stabilities.[28–30]

Trade policy also greatly influences FDI. The export orientation of a host country (e.g., how aggressively the host country promotes exports, particularly manufactured products, in order to develop economically) and its openness to trade correlate positively with the inflow of FDI, and both are considered traditional determinants of FDI.[31,32] For example, Singh and Jun[32] found that export orientation was the strongest determinant of a country's ability to attract FDIs in the 1970s.

A 2014 study by Baker and colleagues[33] focuses specifically on foreign investment by the tobacco industry. These authors classify tobacco companies—along with alcohol and ultra-processed foods—as “transnational risk commodity corporations” (TRCCs):

> Trade liberalization allows TRCCs to rapidly move investments, technologies, production capacity, raw materials and final products across borders and thereby drive risk commodity consumption transnationally. . . . Although trade remains important, foreign direct investment (FDI) is the most significant strategy used by TRCCs to penetrate new markets and grow transnationally. . . . Subsequently, FDI-inflows are positively correlated with risk commodity consumption rates.[33,p.4]

Baker and colleagues[33] infer that tobacco companies use FDI to exploit market access opportunities created by trade liberalization by ramping up volume, reducing costs of manufacturing and distribution, and then engaging in aggressive marketing and price competition—all of which drives consumption of tobacco as it does the consumption of other “risk commodities.” All of this occurs as the tobacco industry pivots from HIC markets, where tobacco consumption is dropping, to LMICs.[34–38] Studies have found that, as tobacco companies invest in production closer to their new markets, they are simultaneously using FDI to strengthen access to leading sources of tobacco leaf such as Brazil and the United States.[33,39,40] These findings parallel those of Gilmore and colleagues,[6] which focused on privatization that was independent of trade liberalization.

Many countries have enhanced their FDI policies across sectors (e.g., by adding financial incentives) to attract investments from foreign multinational companies.[28] LMICs commonly use fiscal incentives to encourage investment, including temporary tax holidays, reduced or zero import taxes for capital from foreign investors, strategic imported raw materials, easy access to other markets in their region, and other such measures as market preferences, infrastructure, and sometimes even monopoly rights.[28] For example, an Armenian Development Agency brochure cites favorable legislation, government commitment, no limits on foreign ownership, and access to neighboring markets as selling points for foreign investors.[41]

As noted above, Gilmore and colleagues[6] confirm that fiscal incentives (tax holidays and reduced excise taxes) are often part of governments’ privatization agreements with tobacco companies. Some may argue, however, that committing to such explicit terms of privatization violates Article 5.3 of the World Health Organization (WHO) Framework Convention on Tobacco Control (WHO FCTC), which obligates Parties to the Convention to protect their tobacco control policies. The Article 5.3 guidelines say this explicitly: “Parties should not grant incentives, privileges or benefits to the tobacco industry to establish or run their businesses.”[42,p.8]

The investment motives of MTCs are generally similar to those of multinational companies in other sectors. Possible motives include reduced production costs, economies of scale, local production in target markets, potential growth in new markets, and potential development of a regional export base.

As industry analyst reports and research on tobacco industry documents show, MTCs recognize that the markets for their products are declining in most HICs, but see opportunities in the new and emerging markets populated by the vast majority of the world’s cigarette smokers.[4,43–45] MTCs may see special potential for market growth in some LMICs, particularly those in which the following conditions exist: young people make up a large share of the total population; smoking prevalence is very low among women; per capita income is rising[46]; the purchasing power of women is increasing because more

women are joining the labor force; and other regional markets can be accessed easily.[43,47] Additionally, the improved status of women is often accompanied by a rise in smoking among women, which they may perceive to be associated with independence.[48]

In the 1990s, many countries, particularly in Central and Eastern Europe, had either weak or no tobacco control policies in place, and such policies were not part of the political agendas of many governments. For example, countries such as Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, where state monopolies did not advertise, had very limited or no marketing controls on tobacco.[49] This weak tobacco control led to an attractive and profitable climate for the private acquisition of state-owned cigarette manufacturing industries in many LMICs in Central and Eastern Europe. As a result, MTCs were able to penetrate new and emerging markets without the constraints of tobacco control measures and gained access to new smokers, especially youth[49] and women.[50]

As will be discussed later in this chapter, these investments have exponentially increased production rates, cigarette consumption, and smoking rates among youth—especially in the Russian Federation, Latvia, and Lithuania.[49] Furthermore, some LMICs offer cheap, high-quality tobacco leaf and relatively high-quality cigarette production facilities—as in Moldova's tobacco industry when BAT wanted to purchase it.[51] In contrast, when BAT purchased Tekel, the state-owned tobacco industry in Turkey, in 2007, three of its six production sites were mothballed.[52]

Privatization of State-Owned Enterprises: An Overview

Privatization, defined as a transfer from public to private ownership, is a way of welcoming FDI and broadening the scope of FDI by opening up new sectors to foreign investment.[7] Privatization of state-owned enterprises is a special case of FDI because it involves the purchase of industries that are owned by governments. Therefore, unlike other types of FDI, the privatization of state-owned enterprises generates revenue for governments. Early examples of privatization date back to the 1960s, but major efforts to privatize state-owned enterprises began in the 1980s. The move toward privatization then spread to many countries where most attempts to improve the performance of state-owned industry had failed. Between 1980 and 1991, approximately 6,800 medium- and large-scale enterprises were privatized worldwide.[53] The second (and biggest) wave of privatization took place in Eastern Europe and Central Asia during the early 1990s. With the collapse of the Soviet Union and a broad transition toward market economies among newly independent states, 60,000 medium- and large-scale state-owned enterprises were privatized.[54,55] By the early 1990s, 33%–50% of all foreign and domestic investments in Eastern Europe and Latin America was put into privatization programs.[56] The biggest wave of privatization in LMICs occurred between 1990 and 2008. During this time, more than 129 LMICs carried out more than 10,050 privatization transactions. The inflow of FDI played a significant role in these transactions.[57]

Approximately 73% of these transactions occurred in two regions that included countries with economies in transition: the East and Central Asian part of the European Region (6,048 transactions) and the Latin American and Caribbean part of the Region of the Americas (1,315 transactions).[57] Historically, countries had established state-owned enterprises in many sectors of the economy in order to cultivate industries in areas seen as vital for development, increase government revenues, control prices (in some cases), compensate for insufficient private investment, control the economy, promote self-reliance, and protect national security.[58] When operating conditions deteriorated over the years, many state-owned enterprises put an increasing burden on state budgets, thus slowing economic growth.

Many factors have undermined the profitability and viability of state-owned enterprises, including the abuse of political power by politicians, overstaffing, excessive wages and employee benefits, the absence of hard budget constraints and the ability of governments to subsidize loss-making enterprises, low autonomy and inappropriate incentives for managers, inefficient and unproductive operating conditions, outdated technology, corruption, and poor-quality products that were protected by import restrictions in some countries.[59,60]

In addition to political considerations and the opportunity for national governments to realize large short-term capital gains, several macroeconomic determinants have played a major role in privatization programs, including emerging capital markets, the desire to attract FDIs, the need to reduce the burden of state-owned enterprises on national budgets, deteriorating fiscal conditions, and the acceleration of economic development. When the Soviet Union collapsed in 1991, many of the newly independent states were in financial crisis and did not have strong credit ratings in international financial markets to attract FDI. Mass privatization served as a way to create and improve these national credit ratings.[61] Countries in economic transition as well as those with established economies have sought privatization to help with financial crises.

Political processes and pressure from international lending agencies are also major components behind the global privatization trend that affect the level, pace, and revenue generation of privatization programs. Privatization has accelerated as a result of the political process that transforms countries from socialist to market economies, but economists and public health experts have criticized fast-track privatization as part of FDIs and globalization. For example, Stiglitz[62] contends that globalization has not been pushed carefully or fairly and that poorly designed, pro-globalization policies tend to be costly, increase instability, make countries more vulnerable to external shocks, and increase poverty and social conflict. Privatization is meant to generate revenues, at least in the short term. However, some claim that, as compared to HICs,[63] the results of privatization are not always as positive in LMICs, especially those with transitional economies, due to factors such as a weaker political process[62,64] or the fiscal pressure created by international lending agencies such as the International Monetary Fund[65,66] and the World Bank.[61,62]

Foreign Direct Investment and Privatization in the Tobacco Sector

State-owned tobacco enterprises were swept up in the global privatization whirlwind during the 1990s. Privatization was occurring even in market economies with long traditions of state involvement and ownership in the tobacco industry.

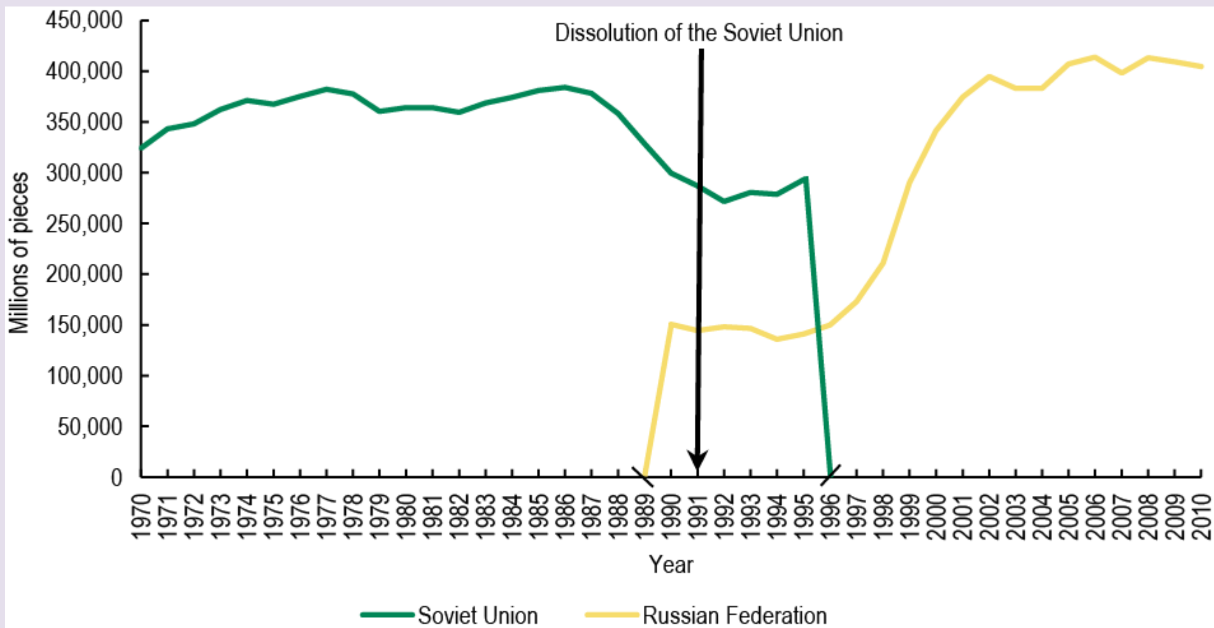
FDI in tobacco occurred in many countries by way of both purchases of state-owned tobacco enterprises and additional investments in firms by foreign and local private companies. In some countries, the proceeds from privatization of state-owned cigarette-manufacturing enterprises or FDIs in countries' tobacco sectors appear to be among the largest FDIs these countries have received. For example, World Bank data[57] between 1988 and 2008 show that Morocco generated US$ 11 billion in revenue from the privatization of state-owned enterprises. Of this revenue, 18.3% was generated by the privatization of its state-owned cigarette-manufacturing industry alone; FDI in tobacco was the third-largest investment the Moroccan government had received in its history. In addition, between 1992 and 2000, MTCs had invested at least US$ 2.7 billion in 10 tobacco-producing countries in economic transition from the former Soviet Union, making up a substantial proportion of total FDI in these countries[67] (see Box 12.1). Similarly, among the largest investments in Tanzania are the FDIs in its tobacco sector.[68,69]

Box 12.1: Case Study: The Russian Federation

As early as the 1960s, the Soviet Union was among the major global producers of cigarettes, contributing about 10% of global production until a few years before its dissolution in 1991.[67] The sharp decline in cigarette production began in 1987 and was attributed not only to the breakup of the Soviet Union itself, but also to obsolete manufacturing equipment and shortages of raw materials.[67] Soon after the dissolution of the Soviet Union, MTCs began targeting the markets of the resulting newly independent republics, particularly the Russian Federation, the largest market and population center. The figure below shows trends in cigarette production from the 1970s until 2010, first for the Soviet Union and then for the Russian Federation.

Fueled by foreign investments from MTCs, cigarette production in the Russian Federation began to increase steadily in the late 1980s, experienced an exponential increase between 1998 and 2001, and then stabilized, with a slight decrease in 2003-2004 as the market became oversupplied. After this temporary decrease, production increased.[70] Over this timeframe, the Russian Federation became not only self-sufficient in cigarette production but, in 2003-2004, a net exporter of cigarettes, unlike the earlier Soviet Union, which experienced large deficits in the balance of trade in cigarettes dating back to 1970. This transition underscored the focus of foreign investment on producing cigarettes locally instead of importing them.[71] In 2007, the Russian Federation—then the third-ranked global producer of cigarettes—manufactured about 398 billion pieces, or about 7% of the 5,909 billion cigarettes produced globally.[72]

Total Cigarette Production in the Soviet Union/Russian Federation, 1970–2010



Note: The Soviet Union dissolved in 1991.
Sources: Soviet Union data are from U.S. Department of Agriculture Foreign Agricultural Service 1960–1995.[71] Russian Federation data are from ERC Group 2011.[148]

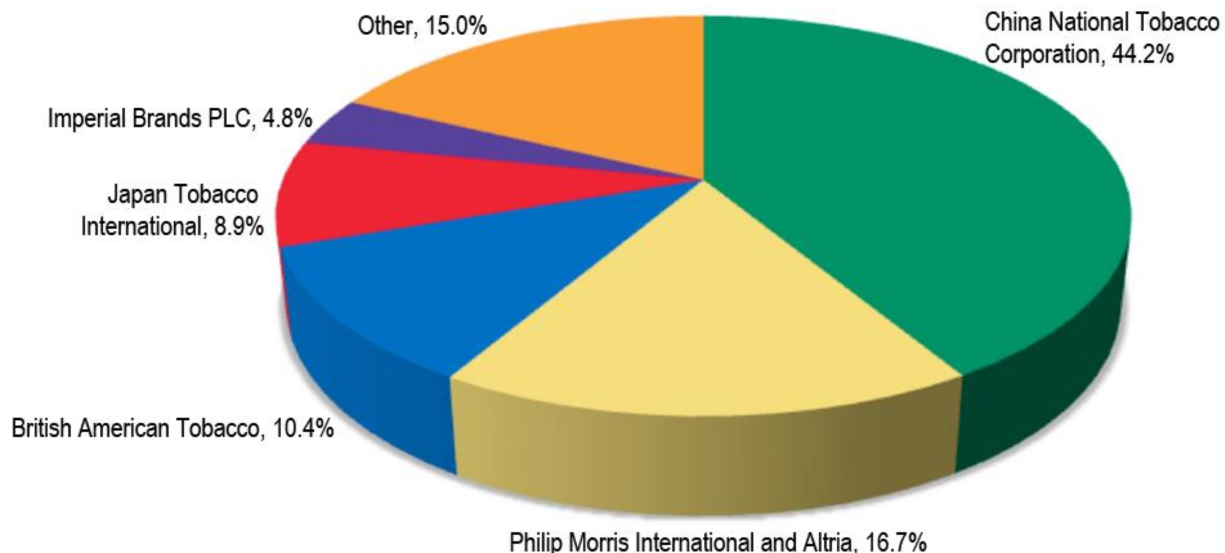
Evolution and Consolidation in the Tobacco Industry

The tobacco industry has evolved to become a highly consolidated industry dominated by a few large entities. Before investing directly in LMICs, MTCs generally established business relations with the domestic LMIC producers via licensing, management and marketing contracts, and franchising (see Box 12.2). Over time, and within the context of economic forces surrounding globalization and privatization, such relationships evolved toward increased FDI in both private- and state-owned tobacco enterprises.

The types and extent of FDIs in the tobacco industry vary by country. Forms of FDI include (1) joint ventures between MTCs and local private tobacco industry or, for state-owned tobacco enterprises, between MTCs and the government, (2) direct establishment of tobacco industries in host countries, (3) lease of state-owned tobacco enterprises by MTCs for a limited time, and (4) mergers between national private industries and MTCs. Mergers and acquisitions are part of FDI, but unlike privatization, governments do not generally earn revenue from these transactions.

Figure 12.2 shows the global market share distribution in the cigarette industry in 2014, which highlights the amount of consolidation that has occurred. With 44.2% of the global market share, the state-owned China National Tobacco Corporation is by far the largest firm. Four MTCs jointly command 40.8% of the global cigarette market—PMI/Altria, BAT, JTI, and Imperial.[4]

Figure 12.2 Global Cigarette Market Share Distribution, 2014



Note: Philip Morris International includes Philip Morris USA.
Source: Euromonitor International 2016.[4]

International trade liberalization played an important role in extending the reach of MTCs. Multilateral agreements reached during the Uruguay Round of trade negotiations in 1994 were the first to include liberalization of trade in unmanufactured tobacco. These agreements significantly lowered tariff and non-tariff barriers to trading tobacco and enabled greater penetration of the world tobacco market by large MTCs. The multinational tobacco industry has also enhanced market penetration through aggressive direct investment in LMICs' economies, such as through owning or leasing production plants

in countries. Thus, MTC investment in LMICs increased as cigarette production and consumption rates in HICs continued to decline.[37,73]

The privatization process has evolved to the point that most countries now have MTCs producing their tobacco products. MTCs have now begun to consolidate or move production facilities within a region to take advantage of bilateral and regional trade agreements that remove import tariffs.[74] For example, in 2013 BAT closed its production facility in Uganda and moved to Kenya, but continued to provide cigarettes to Uganda via export.[75,76] Similarly, BAT has consolidated its production for West Africa in Nigeria,[77] and PMI has done the same with a production hub in the Philippines that supplies other countries in the region.[78]

Foreign Direct Investments for Cigarette Manufacturing in High-Income Countries

The available evidence indicates that established economies generally experience three types of FDI for tobacco industries: (1) privatization of state-owned cigarette-manufacturing industries, (2) acquisitions of local private cigarette-manufacturing industries, and (3) mergers of MTCs. While not a comprehensive review of FDI in HICs, this section provides some examples of these trends.

HICs have overwhelmingly joined the globalization trend by privatizing their traditionally state-run cigarette monopolies—for example, France in 1995,[79] Portugal in 1996,[79,80] Spain in 1998,[6,79] Austria in 1997,[79] Italy in 2003,[6,79] and the Republic of Korea in 2002.[6,81,82]

At the same time, mergers and acquisitions among MTCs in established economies have contributed to consolidation of the tobacco industry. For example, Japan Tobacco Incorporated became JTI when it purchased the RJR international cigarette unit in 1999 for US$ 7.8 billion, the largest overseas acquisition made by a Japanese company at the time.[83] JTI later acquired Gallaher PLC also, giving it a greater presence in Europe and notably the Russian Federation, where it became a market leader.[84]

Imperial gained entry to the sub-Saharan African market by acquiring a 75% interest in Tobaccor SA from the French group Bollore SA in 2001, which had a dominant market share in eight countries in French-speaking West and Central Africa and Madagascar.[85] In 2002, Imperial purchased 90% of Reemtsma, the largest MTC in Germany, for US$ 4.6 billion, securing strong access to former socialist economies.[86] Imperial gained a significant stake in the U.S. cigarette market in 2007, when it acquired Commonwealth Brands, at the time the fourth-largest U.S. cigarette company, for US$ 1.9 billion.[87] More recently, Imperial expanded its presence in the United States when it spent US$ 7.1 billion to acquire Winston, Salem, Kool, and other brands made available during the merger of RJR and Lorillard Tobacco Company.[87]

Altadis was created by a merger between France's Seita and Spain's Tabacalera, shortly after each was privatized from national monopolies.[88] Altadis also gained access to markets in sub-Saharan Africa and North Africa by purchasing the Morocco tobacco monopoly, which had a strong presence in the region.[5] Altadis was subsequently acquired by Imperial in 2008.[87] The current iteration of BAT resulted from a merger with Rothmans International in 1999, which was a combination of the second- and fourth-largest MTCs, respectively.[79] Through this merger, BAT increased its presence in the market of the United Kingdom of Great Britain and Northern Ireland and helped Rothmans International penetrate the Japanese market.[81,89]

Similarly, U.S. tobacco markets have become increasingly concentrated since 2000. For example, Altria, the parent company of Philip Morris USA and PMI, spun off PMI in order to decrease exposure of the international business to U.S. tobacco litigation.[79] More recently, RJR, long the second-largest tobacco company in the United States, acquired Lorillard Tobacco Company for US$ 27.4 billion in 2014.[90] Leading cigarette companies have acquired leading smokeless tobacco companies—specifically, Altria's acquisition of U.S. Smokeless Tobacco Company (2009)[91] and RJR's acquisition of Conwood (2006).[92] RJR's mergers with Brown & Williamson (2004) and Lorillard (2015) further consolidated the U.S. cigarette market.[92]

Foreign Direct Investments and Privatization in Low- and Middle-Income Countries

The ownership status of tobacco-manufacturing industries and the types of FDIs involved vary across LMICs. Tobacco industries were traditionally under government ownership in a majority of countries in the Eastern and Central Asian sections of the European Region, as well as in the Western Pacific Region (except the Pacific Islands) and the Eastern Mediterranean Region. Conversely, tobacco industries were generally under private ownership throughout established economies in North America and some European countries and in African, Latin American, and South Asian countries.[93] However, as globalization expanded in the 1980s and 1990s, many state-owned tobacco industries changed hands to private producers, mainly MTCs. In general, MTCs purchased state-owned tobacco-manufacturing industries, but in some cases MTCs formed joint ventures whereby state-owned manufacturers produced tobacco brands for MTCs (e.g., in Egypt,[94] Viet Nam,[95] China[96]). Additionally, in some countries, MTCs purchased major local private producers (e.g., Indonesia in 2005[79]).

Foreign ownership of state-owned tobacco monopolies has generally occurred in a series of steps.[47,49,97] First, MTCs seek to increase imports of their brands by establishing a licensing arrangement whereby the state firm produces or sells international brands (e.g., in Egypt and countries of the former Soviet Union[5]). This may lead to the establishment of joint manufacturing ventures that involve the purchase of a portion of the state-owned company by an MTC, which may then invest in modernization and technology (e.g., in Ukraine[79,98]). MTCs may also promote privatization of the state industry and then seek to acquire the state company. If these steps fail, contraband sales may be used to gain a foothold in the market by stimulating local demand and arguing for the need to create a joint venture or to move toward privatization, which would allow smuggled goods to be replaced with those manufactured locally.[6,73]

The first wave of FDI in cigarette factories took place in the early 1980s when MTCs acquired local private cigarette factories in almost all Latin American countries. The second wave occurred in the 1990s with the privatization of state-owned cigarette factories after the dissolution of the Soviet Union. Some socialist countries in Asia also joined the privatization process and formed joint ventures with MTCs (e.g., in Cambodia,[99] Lao People's Democratic Republic,[100] Viet Nam[5]). By the end of the 1990s, many countries received some form of direct investment for their state-owned cigarette-manufacturing industries, and almost all state-owned cigarette-manufacturing industries were privatized in market economy countries and countries of the former Soviet Union. In the South-East Asia and Western Pacific Regions, MTCs acquired part or whole shares of local privatized cigarette-manufacturing industries (e.g., joint venture in Malaysia in 1999[81]) or invested directly in these countries (e.g., Indonesia in 2005[79]). After the year 2000, the privatization process slowed. The latest examples of privatization or FDI in LMICs occurred in Morocco and Serbia (2003),[6] Romania (2004),[6] Georgia (2005),[6] Turkey (2008),[6] and Bulgaria (2011).[101]

In the Western Pacific Region, the ownership status of the tobacco-manufacturing sector is mixed. This region includes major cigarette-producing countries such as China, Japan, Malaysia, Philippines, Viet Nam, and the Republic of Korea. The tobacco industry is under private ownership in Indonesia, Malaysia, Philippines, and the Republic of Korea and is under full state ownership in Cambodia, China, Lao People's Democratic Republic, and Viet Nam. However, Cambodia (in 1987),[99] Lao People's Democratic Republic (in 2001),[100] and Viet Nam (in 2001)[5] formed joint ventures whereby their brands are produced by foreign producers that lease state-owned manufacturing facilities. After gaining independence, some Pacific Island countries (Fiji in 1955, the Solomon Islands in 1967, and Samoa in 1978)[102] started to privately produce cigarettes as a result of FDI from MTCs or local investors.

The ownership status of the tobacco-manufacturing sector in the South-East Asia Region is also mixed. Initially, cigarette production was under private ownership in Bangladesh, India, and Pakistan during British colonial rule of these countries. After gaining independence, the Pakistan Tobacco Company was established in 1949 and the Bangladesh tobacco company in 1971, and MTCs continued their production in these countries. Sri Lanka's only cigarette producer, Ceylon Tobacco, is a subsidiary of BAT. Tobacco production was under government ownership in Nepal until the 1980s and was then privatized to local producers. In Indonesia, tobacco production has historically been under the ownership of local private entities and MTCs. In 2005, PMI purchased the largest private kretek manufacturer and the third-largest cigarette-producing company in Indonesia. In Thailand, the tobacco industry is under full state ownership.[79]

In the Eastern Mediterranean Region, Algeria,[103] Iran,[104] Lebanon,[5] Libya,[103] Tunisia,[103] and Yemen[105] have full or partial government ownership of tobacco production. Egypt has partial ownership in its only tobacco-producing company (Eastern Tobacco), which by bilateral agreement produces brands of MTCs.[103] Morocco is the largest cigarette-producing country in the region and, through a joint venture in 2003, is the only country in the region to have privatized its tobacco-manufacturing company.[106] The Persian Gulf countries Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia do not have any cigarette manufacturing facilities.

The European Region—especially countries in Eastern Europe and Central Asia—experienced massive privatization of their cigarette-producing industries starting in the early 1990s (Table 12.1). In 1991 Hungary and the Russian Federation were the first countries to privatize their tobacco enterprises,[6] and they were followed by the Czech Republic,[6] Slovak Republic,[6] Slovenia,[6] and Ukraine in 1992[6]; Lithuania in 1993[6]; Kazakhstan,[6] Poland,[107] and Uzbekistan in 1994[6]; Armenia in 1995[6]; Kyrgyzstan in 1998[6]; and Azerbaijan in 1999.[6] During the next decade, Serbia (2003)[6] and Romania (2004)[6] privatized their cigarette-manufacturing companies into MTCs. Cigarette production is still under full government ownership in only a few countries: Belarus, Bosnia, and Moldova.

Based on available data from a few countries in the African Region, private cigarette production often began before countries had gained their independence from European colonial powers. For example, BAT started private production in Ghana in 1952, before it gained independence in 1957.[108] Similarly, Kenya became independent in 1952, but private production started in 1908; in 1954, a joint venture was formed with MTCs.[76] Since the 1980s, MTCs have invested directly in African countries including Cameroon in 1986,[109] Ethiopia in 1999,[110] Tanzania in 1995,[6] Nigeria in 2000,[111] and Mozambique in 2006.[112]

Table 12.1 Foreign Direct Investments for the Tobacco-Manufacturing Industry in Eastern Europe and Central Asia

Country	Year	Type of investment	Market structure
Albania	1995	Privatization: purchased by workers and former owners[6]	—
Armenia	1995	Voucher privatization[6]	—
	1997	Joint venture: Grand Tobacco of Canada and two local companies[149]	—
Azerbaijan	1997–1999	Privatization: European Tobacco joint venture[6,149]	Oligopoly
Bulgaria	2011	Privatization of state-owned company Bulgartabac[79]	Oligopoly
Croatia	1999	Privatization: employee buyout[6]	Oligopoly
Czech Republic	1992	Privatization: PMI acquires majority of shares in state-owned Tabak AS[6,79]	Oligopoly
Georgia	1998	Privatization: no MTC investment[6,149]	Oligopoly
	2001	BAT establishes a licensed production operation[149]	Oligopoly
Hungary	1992	Privatizations: PMI acquires Eger Tobacco Factory and BAT acquires Pesci Dohanygyar[6,149]	Oligopoly
Kazakhstan	1993–1994	Privatization: PMI acquires state-owned Almaty Tobacco Company[6,79,149]	Oligopoly
	1997	Joint venture: Reemstma and Gallaher establish new factory[149]	Oligopoly
Kyrgyzstan	1998	Privatization: Joint venture between government and Reemtsma, which is later purchased by Imperial[6,149]	—
Latvia	1992	Joint venture between Danish company House of Prince and Latvian government[6,149]	Oligopoly
	2001	Privatization: House of Prince acquires full ownership (later purchased by BAT)[185]	Oligopoly
Lithuania	1992	Privatization: PMI acquires state-owned company[6]	Oligopoly
Macedonia	1999	Privatization: state-owned Tutunski Kombinat Skopje purchased by Reemtsma, which is later sold to Imperial[5,186]	Oligopoly
Morocco	2003	Privatization: Altadis (later purchased by Imperial) buys majority stake in state-owned company[5,6]	Oligopoly
Poland	1995	Privatization: BAT acquires majority shares of state-owned Przedsiebiorstwo Wyrobów Tytoniowych w Augustowie SA[107]	Oligopoly
	1996	Privatizations: PMI acquires state-owned Zaklady Przemyslu Tytoniowego Kraków[187]; Reemtsma (later sold to Imperial) acquires partial stake in state-owned WWT Poznan[188]	Oligopoly
Romania	1993	JTI & PMI establishes operations in Romania[189,190]	Oligopoly
	1996	BAT establishes operations in Romania[191]	Oligopoly
	2004	Privatization of Societatea Nationala Tutunul Romanesc SA[6]	Oligopoly
Russian Federation	1992–1993	Privatizations: RJR (later bought by JTI), PMI, BAT, & Gallaher enter the Russian Federation market through joint ventures and acquisition of formerly state-owned manufacturing plants[6,8,79,192]	Oligopoly
Slovak Republic	1992	Privatization: Reemtsma (later sold to Imperial) purchases state-owned company[6]	Oligopoly
Slovenia	1991–1992	Privatization: Reemtsma & Seita (later purchased by Imperial) acquires majority shares of state-owned Tobacna Ljubljana[6,193]	Oligopoly

Table 12.1 continued

Country	Year	Type of investment	Market structure
Turkey	1992	Joint venture and other FDI: PMI joint venture with Sabanci Holding (a private local company); RJ Reynolds (later JTI) purchases tobacco plants[160,194]	Oligopoly
	2008	Privatization: BAT acquires state-owned Tekel[6,79]	Oligopoly
Ukraine	1992–1994	Privatization, and other FDI: PMI, Reemtsma (Imperial), BAT, RJR (JTI) acquire state- and privately owned factories[6,79,149]	Oligopoly
Uzbekistan	1994	Privatization: BAT joint venture with Uzbekistan's state-owned tobacco monopoly[6,149]	Monopoly

Notes: BAT = British American Tobacco. PMI = Philip Morris International. RJR = R.J. Reynolds International. JTI = Japan Tobacco International. MTC = multinational tobacco company. Market structure is based on the market share of the leading cigarette companies in the specific country. A market was defined as a monopoly if only one cigarette producer had the vast percentage of the market. If there were a few relatively large cigarette producers, the market was defined as an oligopoly.
Source: Euromonitor International 2016.[4]

Investment patterns and tobacco use behavior diverge across countries. In Ghana the government took over partial ownership of the Pioneer Tobacco Company, but BAT maintained a stake and provided management to the company. For many years, BAT had a near-monopoly on tobacco production, apart from a venture by Rothmans International. In December 2006, the company closed and relocated to Nigeria. Cigarette consumption was at its peak in Ghana in 1970 but then fell and remained relatively low, likely due to early production shortages, increased prices, and a tobacco advertising ban.[108] This contrasts with Madagascar, where tobacco use remains at 49%, higher than other African countries, despite increasing tobacco control measures.[113] In 2001, Imperial bought Tobaccor Group from France and became a near-monopoly in the country and gained easier access to markets in eastern and southern Africa.[113]

In most countries in the Latin American and Caribbean areas of the Americas Region, cigarette production is dominated by BAT (with over 50% market share) and PMI (with about 40% market share).[4] During the period of mass privatization of state-owned enterprises in the 1980s and 1990s, MTCs moved in and formed either joint ventures with existing local private industries or invested directly in the countries. The only significant exceptions were the locally owned companies Cia Industrial de Tabacos SA and Cia Industrial de Tabacos Monte Paz, which have nearly 90% market shares in Bolivia[114] and Uruguay,[115] respectively.

Countries With Significant Government Ownership

In 2014, cigarette production was still under the sole or significant state ownership of government in a number of countries (Table 12.2). Seven of these countries—Algeria, China, Egypt, Iran, Iraq, Japan, and Thailand—are among the 50 largest consumer markets.[116] Despite government ownership, in a number of these countries (Cambodia,[117] Cuba,[118] Egypt,[119] Lao People’s Democratic Republic,[100] and Viet Nam[95]) MTCs operate as joint ventures where the state-owned cigarette manufacturers produce MTCs’ cigarette brands.

Table 12.2 Countries With State-Owned Tobacco Monopolies or Significant State Ownership in Tobacco Enterprises, by WHO Region, 2014

WHO Region	Country
African	None
Americas	Bolivia and Cuba
Eastern Mediterranean	Algeria,[a] Egypt,[b] Iran,[a] Iraq, Jordan,[c] Lebanon,[c] Libya, Syria,[c] Tunisia,[c] and Yemen
European	Belarus, Bosnia-Herzegovina,[a] Moldova,[a] and Tajikistan[d]
South-East Asia	Thailand and Myanmar
Western Pacific	Cambodia,[b] China, the Democratic People's Republic of Korea,[e] Japan,[f] Lao People's Democratic Republic (leased), and Viet Nam[b]

[a]The state-owned tobacco enterprise is on the pending privatization list of these countries.
[b]Foreign brands are produced by the state-owned tobacco enterprises.
[c]The tobacco industry may have become public.
[d]Information was not available to determine whether the tobacco industry is privatized.
[e]The Republic of Korea (South Korea) may invest in the tobacco industry in the Democratic People's Republic of Korea (North Korea); however, reports indicate that MTCs may be involved.
[f]The Japanese Ministry of Finance holds a 50% share of this company.
Sources: Data were compiled from various sources by the authors, including literature, Internet searches, government websites (Belarus, Moldova, Tajikistan, Algeria, Iran, Iraq, Jordan, Lebanon, Libya, Syria), company websites (Japan Tobacco International, State Tobacco Monopoly Administration in China [STMA], Tobacco Monopoly in Thailand, Libya, Tunisia, Syria, Moldova, Belarus), personal communication with Ministry of Finance officials (e.g., Bulgaria, Moldova, Cambodia, China, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam, Yemen) and with Ministry of Health officials and researchers (Belarus, Bosnia-Herzegovina, Tajikistan, Japan, and Tunisia).

Box 12.2: China: A Licensing Approach to Foreign Brands

China is by far the world's largest manufacturer of cigarettes, producing more than 2.4 trillion pieces in 2012, or about 41% of worldwide production.[4] Cigarette production is controlled by China's State Tobacco Monopoly Administration (STMA). MTCs still have very limited access to the Chinese market. The Chinese government forbids international tobacco companies from directly establishing factories in the country, and foreign brands usually are produced locally under license. For example, the brand Memphis (Gallaher/JTI) has been produced locally by Shanghai Tobacco since 2003; West (Imperial) has been produced by the Hongta Group since 2004; and Marlboro (PMI) has been produced since 2008 through a licensing deal signed in December 2005. To date, foreign brands have captured less than 1% of the licit local market.[81] MTCs may face resistance from consumers as well. A 2005 Morgan Stanley report found that Chinese smokers have high regard for domestic cigarettes and predicted that winning market share will be a difficult task for international manufacturers.[120]

Cigarette Industry Involvement With Other Tobacco Products and ENDS

Over the past two decades, multinational cigarette manufacturers have increased their investment in tobacco products other than cigarettes. MTCs may be increasing their investment in order to appeal to new consumers, to respond to tobacco control measures and health concerns, or to gain entry to new markets. For example, in 1989, RJR test marketed a high-tech cigarette called Premier, a "heat not burn" cigarette designed to deliver nicotine without combustion, in contrast to a conventional lighted cigarette. RJR reportedly spent more than US$ 800 million developing Premier, but smokers who tried it did not like the taste, and after less than a year RJR pulled the brand from test markets.[121] Other variations of the

"heat not burn" cigarette appeared in test markets in the 1990s. Although these products did not have a significant impact, the development and marketing of new tobacco products aimed at addressing consumers' health concerns or public smoking restrictions has continued in other forms. More recently, the tobacco industry has launched new "heat not burn" products,[122] and is also developing or has bought nicotine inhaler technology that does not require a heating mechanism.[123]

After 2000, manufacturers introduced and marketed a range of new smokeless tobacco products using attractive flavorings (such as mint or fruit flavors) and new delivery methods (such as lozenges or small pouches).[124] For example, Philip Morris and RJR introduced Swedish "snus"-style smokeless tobacco products in the U.S. market. These new products carried the well-known Marlboro (PMI) and Camel (RJR) brand names to benefit from the marketing expertise and brand recognition associated with these existing product lines. Multinational cigarette companies also diversified by buying smokeless tobacco companies. For example, leading U.S. cigarette manufacturers expanded into the smokeless tobacco market by acquiring the two largest U.S. smokeless tobacco manufacturers: U.S. Smokeless Tobacco (acquired by Philip Morris USA in 2009)[91] and Conwood (acquired by Reynolds American in 2006).[92] In addition, the largest Swedish smokeless tobacco corporation, Swedish Match, entered the U.S. smokeless tobacco market in the early 2000s. By 2010, Altria (the American parent company of Philip Morris USA, which sold PMI in 2008) owned 56.0% of the U.S. smokeless tobacco market by volume, and Reynolds American had a 30.3% market share.[125]

Multinational cigarette manufacturers have also attempted to enter traditional tobacco product markets in LMICs. For example, Swedish Match, Phillip Morris, and BAT have tried (thus far unsuccessfully) to capture a portion of the massive Indian smokeless tobacco market,[126] and JTI has made inroads into the rapidly growing Nigerian smokeless tobacco market.[94] If these efforts continue, traditional markets can be expected to start selling more standardized smokeless tobacco products. Godfrey Phillips (partly owned by Philip Morris) entered the India chewing product market with a pan masala in 2010, stating that the company expected that its cigarette business would "provide the synergy to its chewing product."[127] And in 2009, PMI paid approximately US$ 225 million (1.75 billion South African rand) to purchase Swedish Match South Africa.[128]

In the mid-2000s, Electronic Nicotine Delivery Systems (ENDS), battery-powered devices designed to heat a liquid, which typically contains nicotine, entered the market; since then their use has risen rapidly in the United States and in the United Kingdom (which together hold more than two thirds of the global market) as well as in some other countries.[4,129,130] Widespread advertising via television commercials and print advertisements for popular brands, often featuring celebrities, has contributed to a rise in both adult and youth ENDS use since 2010.[131,132] These products have been marketed with a variety of messages, including that ENDS are less harmful to health than conventional cigarettes, that they can be used to quit smoking (with some websites featuring endorsements by physicians), and that they can be "used anywhere" and are thus a way to circumvent smoke-free policies.[133,134]

The speed and extent of major acquisitions and market consolidation around ENDS produced by MTCs have been very rapid. In 2012 and 2013, major tobacco companies—Lorillard, Reynolds American (which is 42% owned by BAT), Altria (Philip Morris), BAT, and Imperial—purchased or developed ENDS. Lorillard's, Reynolds', and Altria's products are marketed by subsidiary companies: Lorillard Vapor Corporation, R.J. Reynolds Vapor Company, and Nu Mark, which is owned by Altria. Lorillard acquired ENDS companies that produced Blu and SkyCig brands marketed under Lorillard Vapor Corporation.[135] In the United States, Altria introduced Mark Ten in 2014 and RJR introduced VUSE in

2014.[136] BAT released the first ENDS, Vype, in the United Kingdom in 2013.[137] In 2014, Imperial introduced its own e-cigarette, Puritane, in the United Kingdom, followed by another, Jai, in France and Italy in 2015. Imperial also acquired Blu, a U.S. e-cigarette brand, from Lorillard as part of RJR's 2014 acquisition of Lorillard.[92]

Market analysis reports in 2012 and 2013 noted that despite currently accounting for slightly less than 1% of total industry sales, ENDS have the potential to generate 15% of U.S. tobacco market profits by 2020.[138,139] A 2015 equity research report noted that "full conversion" from cigarettes to ENDS has not been achieved, and that most users are dual users with conventional cigarettes.[140] Many market analysts remain positive about the long-term growth of the tobacco industry, with ENDS playing a role but not completely replacing tobacco or nicotine products. Thus, the involvement of cigarette manufacturers in the ENDS market is likely to continue to evolve.

Privatization and Foreign Direct Investment From a Public Health Perspective

FDI and the privatization of state-owned tobacco enterprises have fueled an ongoing public health debate. On the one hand, privatization may eliminate the conflict of interest between a government's simultaneous role in the production of tobacco and its control of tobacco use. Thus, privatization can free governments to go forward with effective tobacco control efforts. On the other hand, privatization in LMICs may be based on inadequate economic analysis, may proceed too rapidly, may open markets up to the marketing power of MTCs, and may be pursued without adequate attention to public health needs.[62] These concerns are of particular relevance for privatization in countries with economies in transition, which may lack tobacco control policies and technical capacity and be more vulnerable to privatization structures that adversely impact public health.[141,142]

As the mass privatizations of state-owned cigarette-manufacturing industries were taking place in the 1990s, concerns were raised about this process and the consequences of the global expansion of MTCs for public health. In countries that had weak tobacco control measures or lacked experience and technical capacity and did not prioritize tobacco control over economic concerns,[143] privatization of cigarette-manufacturing industries operated without a strong regulatory framework for tobacco control. This undermined national and international efforts to reduce the consumption of tobacco products and influenced important aspects of tobacco control policies.[49,51,143]

The recent broad literature review by Gilmore, Fooks, and McKee[6] goes so far as to conclude that privatization without strong regulation is a threat to public health: Privatization leads to dramatic increases in production, massive cigarette marketing campaigns, and price competition (relative to both tobacco and other goods). Consistent with marketing campaigns, smoking rates among urban populations, particularly women, increased in a number of countries after privatization.[6]

Privatization agreements were often reached with little transparency.[51,142] Members of the public health community have raised concerns that large FDIs would be very likely to create a strong bargaining position for MTCs. Public health advocates feared that MTCs would bargain (and in some countries, have already bargained) for additional provisions other than those specified under the FDI policy framework, such as agreements not to raise tobacco excise taxes or not to ban tobacco marketing. This has occurred especially in countries where MTCs contributed significantly to total FDI (e.g., Kyrgyzstan, Uzbekistan[5,49]), as well as in countries receiving a significant proportion of government revenue from tobacco excise taxes (e.g., Indonesia[100]). Unfortunately, a lack of transparency in many deals means there is limited evidence in the public domain. Public health experts have cautioned that

such arrangements can severely undermine tobacco control efforts and may have implications for future tobacco control efforts in host countries.[142] For most countries after privatization, tobacco industry growth has been accompanied by successful lobbying against excise taxes, limits on advertising, limits on smoking in public places, and other tobacco control policies.[5] Unlike their predecessor state monopolies, privatized tobacco companies often "circumvent existing legislation and work assiduously to overturn unfavourable legislation and create new favourable legislation in ways that SOTMs [state owned tobacco monopolies] did not…. [P]rivatisation augments both the capacity and motivation of the supplier to increase production and marketing and dilute the impact of regulation."[6,p.637]

Going beyond the health impact, Gilmore and colleagues[6] found that privatization has been less beneficial than expected when (1) governments have not sought competitive tenders for sale of state enterprises; (2) governments have granted tax concessions in privatization agreements; (3) foreign investors have been complicit in smuggling, which reduces tax revenues; and (4) foreign investors have shifted from locally grown to internationally sourced tobacco leaf.

Countries have had very different experiences with the process of privatizing their cigarette-manufacturing industries and have different market structures and existing tobacco control infrastructure. Thus, generalizations about the privatization of cigarette enterprises must be made with care, because many factors may influence tobacco control policies (e.g., tobacco marketing bans, taxation level of cigarettes) and the environment in which such measures are implemented. The following sections describe experience with privatization across diverse contexts: among countries of the former Soviet Union; among countries that retain cigarette production under government ownership; and among some countries that have had success after privatization.

The Privatization Process in Former Socialist Countries of East and Central Asia

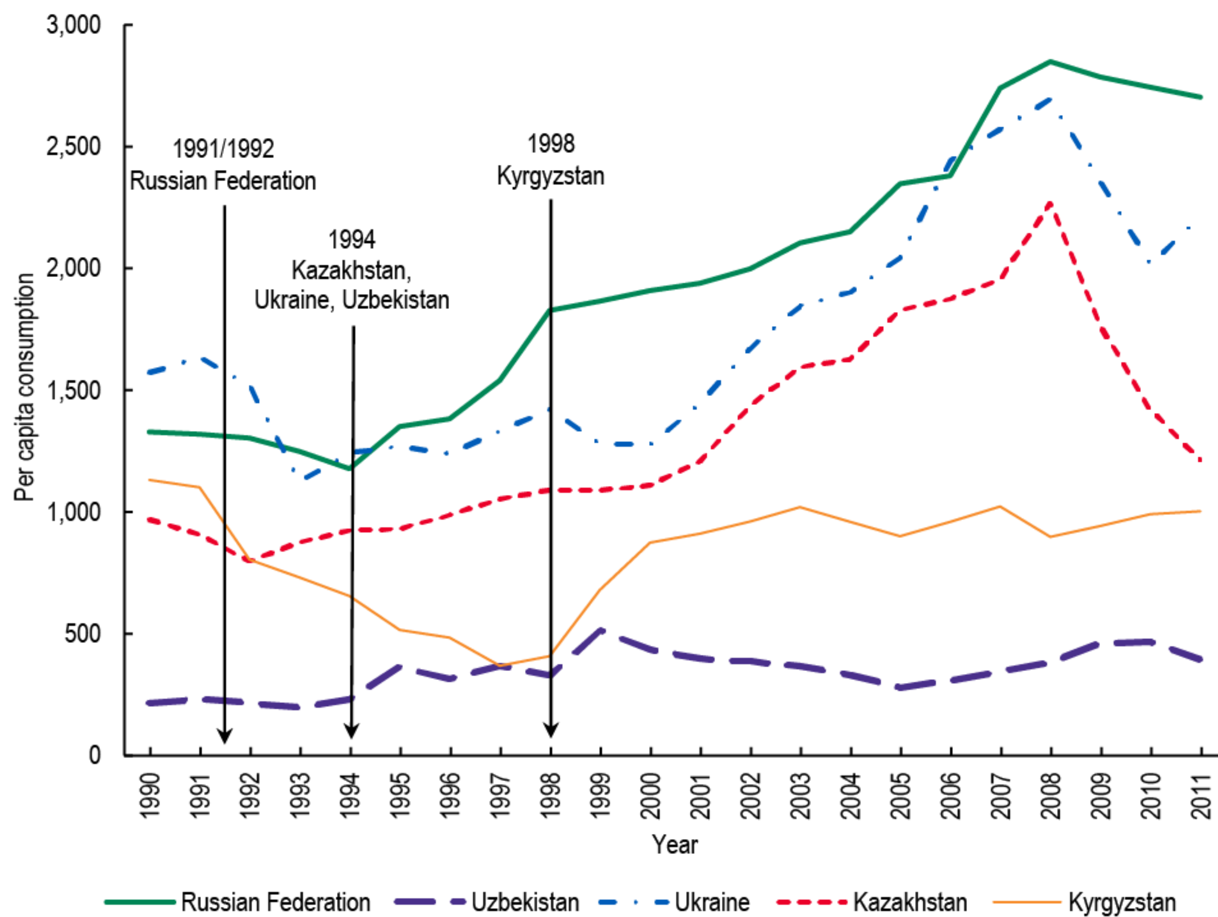
Extensive research has shown that in former socialist countries in East and Central Asia, privatization of cigarette-manufacturing industries proceeded rapidly and was completed without appropriate tobacco control measures in place. As discussed previously, most countries of the former Soviet Union completed the privatization of their cigarette-manufacturing industries between the mid-1990s and late 1990s. Data from 2008 and 2010 indicate that these countries have struggled to adopt strong tobacco control measures, lack bans on tobacco marketing, and have low prices and taxes on tobacco products.[144–146] These countries also experienced new, aggressive, and sophisticated marketing from MTCs, and many received technical support on excise taxation from MTCs, which have a strong vested interest in low tax rates.

During the privatization process of the state tobacco industry in Moldova, BAT developed strategies to prevent the implementation of tobacco control legislation on tobacco marketing. According to industry documents, without advertisement restrictions, BAT estimated that per capita consumption would grow from 1,250 cigarettes in 1994 to 1,650 cigarettes in 2003.[51]

During the privatization process in former socialist countries, civil society, institutions, and policymakers had limited engagement with tobacco control issues and limited ability to administer and enforce existing regulations. Tobacco companies were able to take advantage of the lack of existing tobacco control capacity and experience to influence tobacco control policies in these countries. For example, Szilágyi and Chapman[9] clearly describe how MTCs tried to abuse the existing ban on tobacco advertisement and promotion in Hungary and successfully lobbied to get it weakened.

When observing the effects of the privatization of cigarette-manufacturing industries in countries of the former Soviet Union, identifying which problems are inherent in privatization and which may be specific to the tobacco industry is complex. The experiences of these countries show that privatization of cigarette-manufacturing industries has increased the sales and marketing of cigarettes. This situation has been exacerbated by MTCs' aggressive efforts to control new markets, especially in the countries of the former Soviet Union,[62] and the high speed at which these countries sought premature privatization. As shown in Figure 12.3, the Russian Federation, Kazakhstan, Ukraine, Kyrgyzstan, and Uzbekistan experienced increases in tobacco consumption after the privatization of their state-owned cigarette-manufacturing industries. One of the most important factors affecting consumption is the excise tax system; the Russian Federation has one of the lowest tax rates on cigarettes in the world, and the tax rates of the other former Soviet countries are generally low on a global scale. For comparison, in 2008 the proportions of cigarette retail prices attributable to tax were 74% in Hungary, 20% in Kazakhstan, 71% in Lithuania, 94% in Poland, 37% in the Russian Federation, 45% in Ukraine, and 32% in Uzbekistan.[147] These countries have had divergent experiences since privatization.

Figure 12.3 Per Capita Consumption of Cigarettes in Selected Countries of the Former Soviet Union, and Year When Privatized Cigarette Production Began, 1990–2011



Note: Multinational tobacco companies (MTCs) entered the market in Ukraine in 1992, but production did not start until 1994. Similarly, negotiations between MTCs and Kyrgyzstan began in 1994, but the MTC did not start production until 1998.
Source: ERC Group 2011.[148]

In the Russian Federation, smoking prevalence increased dramatically from 1992 to 2003, particularly among women (from 6.9% to 14.8%) and in rural areas (where prevalence tripled among women).[151] Studies have identified two major reasons for this increase. First, MTCs employed aggressive advertising campaigns. For example, in Moscow, cigarette advertising was placed on 50% of all billboards and 75% of all plastic bags.[149] Industry documents reveal that MTCs waged a calculated campaign to expand the cigarette market to women and young people.[143] Secondly, MTCs have introduced new kinds of cigarettes that were attractive to nonsmokers, such as a number of filtered cigarette brands. Before privatization, Russian cigarettes had tended to be unfiltered; the proliferation of filtered cigarettes made smoking more palatable to women and young people.[67] MTCs employed similar advertising strategies in Kazakhstan. After buying a substantial share in Almaty Tobacco in 1993, Philip Morris aggressively targeted rural areas with advertisements in the local language that glorified agricultural life and appealed to hopes for prosperity.[150] At the same time, a strong tobacco lobby successfully opposed new advertising restrictions.

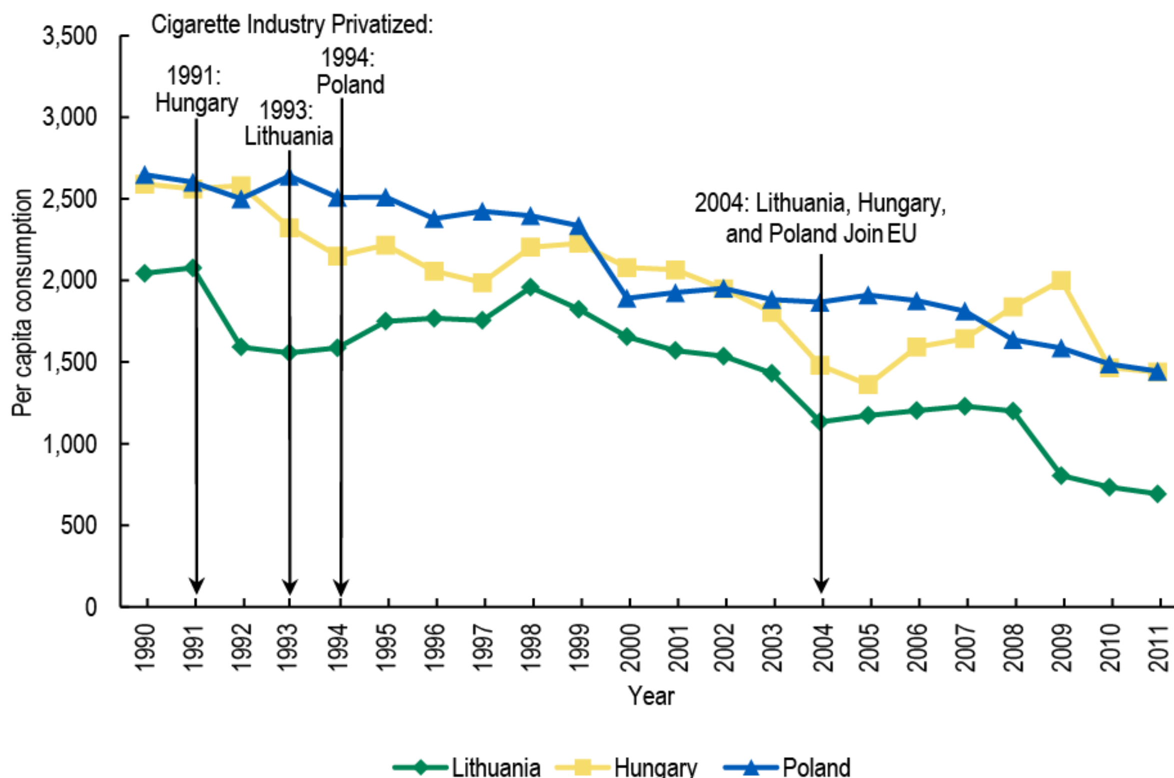
In Ukraine and Uzbekistan, tax reductions accompanied the privatization process, which was followed by increased consumption (Figure 12.3). In Ukraine, cigarette taxes were reduced in the mid-1990s and did not return to their 1995 level until 2007, and consumption subsequently declined.[72] BAT invested in the tobacco industry in Uzbekistan in late 1995 and worked to ease previously enacted advertising and smoking bans and manipulate the tax system to keep its prices low while minimizing competition. According to industry documents, BAT also actively took advantage of the Uzbek Ministry of Finance's lack of expertise in tobacco taxation. Using its influence in the government, BAT helped draft legislation that halved the excise tax on domestically produced cigarettes while introducing high, protective import taxes.[151] BAT was also given an exemption from import taxes for its first 5 years of operation in the country.[152] Uzbekistan has a strong industry lobby that has opposed changing the tax rates on cigarettes.[151,152] In 2005, Uzbekistan changed its tax system on cigarettes from *ad valorem* to a tier-specific excise tax, but did not raise the specific tax to keep up with inflation from 2005 through 2008.[153] This inflation-erosion of the tax is a factor in the 25% increase in cigarette consumption in Uzbekistan between 2005 and 2009.[72]

Kyrgyzstan sold its Bishkek tobacco factory to Germany's Reemtsma in 1998. For the next 6 years, cigarette consumption increased steadily in Kyrgyzstan (Figure 12.3). However, this increase should be considered in light of two important factors. First, smuggled cigarettes accounted for a large portion of the market before privatization in Kyrgyzstan, and as discussed previously, large-volume smuggling of cigarettes is known to be a tool MTCs use to create a market for their products before they are available legally.[6,154] As expected, a shift back to legal cigarettes occurred after privatization in 1998. According to data from ERC Group,[72] however, a good estimate of the entire market size of Kyrgyzstan is not available after 1990, when smuggling was likely low and legitimate sales were at a level to which they have not returned. Second, prices fell in 1997 when the excise tax per 1,000 pieces was cut from US$ 5.00 to US$ 1.50.[72] Thus, differentiating between the effects of privatization and other factors affecting consumption (price, in this case) is difficult.

Results are different in former socialist countries that have successfully implemented strong tobacco tax policies. Lithuania privatized its cigarette-manufacturing industry in 1993 and joined the European Union (EU) in 2004. Between 2001 and 2005, its smoking population increased slightly because of an increase in the number of female smokers from about 232,000 in 2001 to about 244,000 in 2005.[4] To comply with EU requirements, Lithuania had until January 2010 to adopt the taxation and duty levies required by the EU. By 2008, Lithuania had implemented many tobacco control policies, and total taxes

accounted for 71% of the retail price of a pack of 20 L&M cigarettes, the most popular brand in the country.[147] In 2009, the specific excise taxes made up 31.2% of the retail price and the *ad valorem* excise taxes were 25%.[72] As a result of tobacco control policies and taxation, consumption from 2005 to 2008 was well below its peak in the early 1990s (Figure 12.4). After more than 10 years of privatization, the process has been relatively successful from a public health perspective in Lithuania partly because of sustained pressure from anti-tobacco groups and the country's accession to the EU in 2004.

Figure 12.4 Per Capita Consumption of Cigarettes in Lithuania, Hungary, and Poland, and Year When Privatized Cigarette Production Began, 1990–2011



Sources: ERC Group 2009[72] and 2011.[148]

Cigarette consumption trends in Hungary and Poland were similar to those in Lithuania.[155] Despite the significant contraband sales estimated by the industry, total consumption has declined in both Poland and Hungary since the high levels of the early 1990s (Figure 12.4). The successes of Hungary and Poland can be attributed partly to their 2004 accession to the EU and to its requirements; both countries have been increasing their taxes to comply with these requirements. Poland's tobacco industry was privatized over the course of the mid- to late 1990s.[156] In November 1995, Poland enacted a broad tobacco control law (Act on the Protection of Public Health Against the Effects of Tobacco Use),[157] which included public smoking restrictions, educational anti-smoking efforts, free availability of cessation treatment, banning tobacco advertising, and disclosing the ingredients in tobacco products. The Act was eventually amended to include health warning labels, reductions in tar and nicotine levels, a comprehensive ban on tobacco advertising and promotion, and earmarking 0.5% of excise tax revenues for a national tobacco prevention program. As a result of these and other efforts, tobacco consumption in Poland declined from 101 billion pieces in 1990 to 55 billion pieces in 2011, a

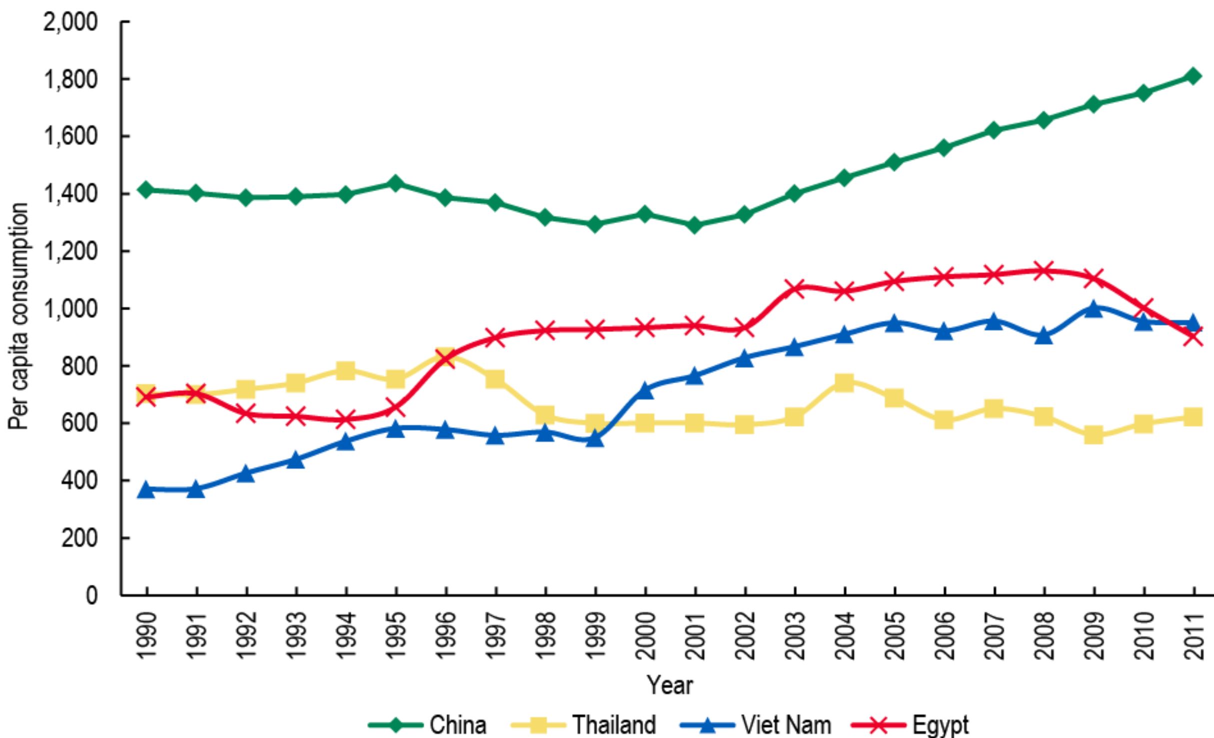
substantial improvement for a country that had one of the world's highest rates of tobacco consumption in the 1980s.[156]

Experiences of Countries That Retain State-Owned Tobacco Enterprises

In most countries that retain state-owned tobacco enterprises, cigarette consumption has continued to rise over the past two decades. Figure 12.5 shows trends in consumption in four such countries. Egypt and Viet Nam saw overall increases in per capita consumption during this period. In Egypt, retail sales declined after a series of tax hikes that began in 2010.[119] Thailand has retained its own cigarette-manufacturing industry but has nonetheless achieved long-term reductions in cigarette consumption. Thailand's strong civil society, active medical groups, and vigorous government commitment to strong tobacco control policies, which are not present in other countries discussed here, contribute to this trend. Additionally, Thailand used tobacco tax increases to fund development of a semi-autonomous foundation for public health, ThaiHealth.[158]

In China, CNTC has 98% of the Chinese market, and from 2000 to 2011, consumption in China rose from 1,329 to 1,810 pieces per capita per year (Figure 12.5).[72] In 2012, taxes made up only 10% of the typical retail price of a pack of cigarettes.[159] Because of its leading position in market share and its strategy for international growth, China's tobacco industry is discussed later in this chapter.

Figure 12.5 Per Capita Consumption of Cigarettes in Four Countries (China, Egypt, Thailand, and Viet Nam) With State-Owned Tobacco Enterprises, 1990–2011



Source: ERC Group 2011.[148]

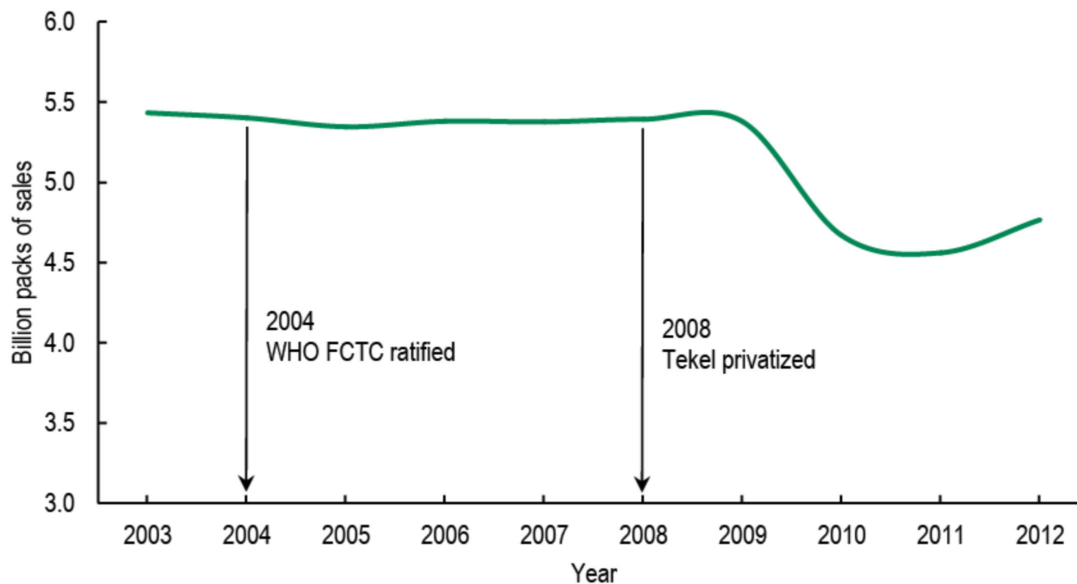
Successful Tobacco Control After Privatization: Turkey

Turkey kept Tekel, its state-owned tobacco industry, until 2008. However, in 1984 the Turkish government began allowing foreign companies to sell their products in Turkey, and in 1991 the government began allowing them to invest directly to produce their products in Turkey. In 1994-1995, foreign companies started producing cigarettes in Turkey in addition to the state-owned cigarette-manufacturing industry.[160]

In 1996 Turkey passed a tobacco control act that included a complete ban on tobacco advertising and promotion and restricted smoking in public places.[163] Despite the law, per capita consumption of cigarettes increased to 1,706 pieces in 1999. After 1999, however, per capita consumption of cigarettes declined steadily, reaching 1,438 pieces in 2007, a difference of 15.7%.[72] At the same time, MTCs stimulated higher demand for their products and increased their share of the market. Per capita consumption of MTC brands increased by 32%, from 779 pieces in 2003 to 1,030 pieces in 2007. By 2007, Tekel held only 32% of the tobacco market in Turkey.[4]

The overall reduction in cigarette consumption between 1999 and 2008 was partially due to steady increases in taxes and, hence, the real and nominal prices of cigarettes. Then, after the privatization of Tekel in 2008, a substantial tax increase had a very measurable impact on consumption (Figure 12.6). Between late 2008 and mid-2010, the excise tax per pack of cigarettes increased to 63% of the retail price, and the average retail price of a pack of cigarettes increased 29%.[161] In addition, after privatization, the government introduced a stronger comprehensive tobacco control law which became effective in mid-2008, and Turkey joined 17 other countries in implementing comprehensive national smoke-free policies.[161]

Figure 12.6 Sales of Packs of Cigarettes Before and After Privatization of Tekel in Turkey, 2003–2012



Notes: Sales refers to sales of cigarettes made by all producers, including multinational tobacco companies and Tekel. WHO FCTC = World Health Organization Framework Convention on Tobacco Control.
Source: Euromonitor International 2016.[4]

China as a Market Leader

China's state monopoly—the China National Tobacco Corporation—merits special attention due to its size and global impact. In 2014, it was the world's largest tobacco company, with a 44.2% share of the world market (PMI was next at 16.7%)[4] and seven of the top ten brands.[162] CNTC was the world's largest producer of cigarettes, and it had the largest number of domestic customers (300 million in 2010).[163] Nominally, China's regulator is the State Tobacco Monopoly Administration. Although its policy role is distinct from CNTC's operational business, STMA and CNTC share the same leadership, structure, and website.[163]

CNTC contributed US$ 94 billion in profits (2011) and US$ 170 billion in tax revenue (2012) to the Chinese government, which amounted to 7% of the government's total revenue.[162–164] The retail value of CNTC's tobacco sales was projected to grow 91% between 2010 and 2015.[163,165] The CNTC strategy, as described by observers, is to (1) consolidate from provincial monopolies to a national monopoly with a tiered structure of national brands (low-end to premium), (2) market with Chinese cultural icons, "health" claims (such as low-tar, light, and mild), and corporate social responsibility (e.g., sponsorship of 100 schools named after tobacco brands), and (3) use research and product development to target women and young smokers with flavorings, fashionable packages, and "young" marketing via sporting events.[156,163,164]

In order to support its premium brands, CNTC is developing an international supply chain, which includes FDI. In 2013 CNTC created a subsidiary in North Carolina, China Tobacco International of North America, to manage its contract relations with U.S. tobacco farmers.[40] Tobacco remains the largest cash crop in North Carolina; exports grew by 10% in 2013.[166] In 2014, CNTC's Brazilian subsidiary created a joint venture with Alliance One to grow tobacco leaf for export to China.[39,167]

CNTC is projected to achieve 50% of global market share by 2050. Currently, the company exports less than 1% of the 2.27 trillion cigarettes it produces,[168] but observers have stated that CNTC aims to expand its international presence using a three-part strategy.[163] First, CNTC will harness its production efficiency—factories that can produce 400 packs per minute—and export more cigarettes made in China.[162] Second, it will establish production of Chinese brands abroad. The first factories are in Romania, Cambodia, Lao People's Democratic Republic, and Myanmar.[163] Third, it will license its brands for production and sale by other companies abroad.[163] To implement this strategy, CNTC is recruiting support from other global tobacco companies: JTI, Imperial, and PMI. Under this arrangement, multinational companies gain access to the Chinese market in exchange for their expertise in technology, management, marketing, and distribution.[163]

The PMI joint venture allows CNTC expanded access to produce and sell Marlboro cigarettes in China. In exchange, a CNTC subsidiary has begun a joint venture with PMI, which started by marketing Chinese heritage brands in Europe and Latin America.[163,164] After building upon PMI's marketing network, CNTC aims to develop Chinese brands like Hongtashan to compete with Marlboro on a global scale. Both companies may expect to profit through this embrace of collaboration and competition.[163] For its part, PMI's ambition, in the words of an industry analyst, is "to become CNTC's key strategic partner and thus be in a position to capture any meaningful opportunity that may arise should state control of the industry ever be relaxed."[169]

At the same time, China has shown progress toward stronger tobacco control measures and WHO FCTC implementation, both at the national and local level. In November 2014, the State Council published proposed rules that would ban all forms of advertising, prohibit indoor smoking in public places (now a matter of municipal discretion), and expand pictorial health warnings to 50% of the pack.[170] A number of cities, including Beijing in 2015, have implemented comprehensive smoking bans which include workplaces and hospitality venues. However, it remains to be seen how these tobacco control efforts will be balanced against state interests in tobacco production and sales.

Trends in International Investment Law

The era of tobacco privatization overlaps with two other trends. One is trade liberalization, which has accelerated since the 1990s with implementation of the WTO, its family of trade agreements, and hundreds of regional and bilateral trade agreements. The other is the growth of international investment agreements, which include bilateral investment treaties and investment chapters of free trade agreements.

As reported by Baker and colleagues,[33] global tobacco companies use FDI to take advantage of market access they have gained from the reduction or elimination of tobacco tariffs through trade negotiations. Regional and bilateral trade agreements also benefit MTCs by expanding market access rules to cover trade in services and strengthening protection of trademarks and other intellectual property rights. The most significant service sectors for tobacco include wholesale distribution, retail distribution, packaging, and advertising.

IIAs provide investor–state dispute settlement, which is an international arbitration process under which investors can seek compensation for laws, regulations, or other government measures that allegedly violate investment obligations. ISDS offers an additional procedural right to foreign investors by permitting them to bring claims at the international level, rather than solely in domestic courts. Some countries have been able to limit the scope of protected investments in order to manage the impact of ISDS on domestic law, such as by excluding tobacco-related investments.

IIAs protect investors in the event of expropriation, denial of “fair and equitable treatment” (FET), discrimination (national treatment and most-favored-nation treatment), and limits on transfer of assets of capital flows, among other protections. Global tobacco companies have made use of the first two:

- *Indirect expropriation* rules protect against government measures that have an effect equivalent to seizing the property of investors without just compensation. Arbitrators have upheld regulations (including bans) as a legitimate exercise of police powers, but the outcome depends on the facts of each case.[171]
- *Fair and equitable treatment* has a range of interpretations, and in some treaties is qualified, but in general it provides a minimum level of treatment for investors, including, for example, protection from a denial of justice.[171]

Tobacco Industry Litigation

PMI has used ISDS to challenge strong tobacco control measures, and along with BAT, it has also financed several countries’ parallel disputes under the WTO dispute settlement system. In two investment disputes PMI has sought millions of dollars in compensation from Australia (for its plain [standardized] packaging law)[172] and Uruguay (for its increased-size pictorial health warnings and

requirement that each brand only have a single presentation in an effort to ban misleading brand variants).[173] Both claims focused on indirect expropriation and FET. For example, in the Australia dispute brought by Philip Morris Asia under a BIT, the company argued that the plain packaging legislation amounted to an “unlawful expropriation” of its investments in Australia.[172,¶7.3]

Both legal challenges have since ended. On December 17, 2015, the tribunal overseeing the Australian case issued a unanimous decision finding that Philip Morris Asia’s claim was “an abuse of rights” because the company would have been aware of the pending legislation when it acquired the Australian subsidiary and did so “for the principal, if not sole, purpose of gaining treaty protection.”[174,p.184] The tribunal therefore ruled that it did not have jurisdiction to hear the claim.[174] Regarding the Uruguay dispute, on July 8, 2016, the tribunal ruled against Philip Morris on all claims.[175]

One immediate impact of tobacco-related trade and investment disputes can be to cause delays in the process of implementing strong tobacco control measures, sometimes referred to as “regulatory chill.”[176] Countries—notably Hungary, Ireland, France, New Zealand, and the United Kingdom—moved ahead with legislation despite the threat of litigation.[177–180] Tobacco companies have also threatened countries with future litigation in an effort to counter proposed tobacco control measures. For example, when the government of Togo was considering adoption of plain-packaging legislation, the country received a letter from Philip Morris cautioning that the proposal would violate binding international trade agreements and provide tobacco manufacturers with the right to “significant compensation.”[181] ISDS disputes can be very expensive to litigate, especially for small LMICs. The tobacco industry has successfully recruited a broad business coalition to warn that governments risk litigation based on treatment of tobacco companies and trademarks.[182]

Summary

Globalization is an inexorable trend for industries in general, including tobacco. Two key aspects of globalization are investment and trade.

The clear trend is toward further concentration of the tobacco industry in the hands of a few large MTCs. This concentration is driven in part by global initiatives to reduce investment barriers through bilateral and multilateral trade agreements. These initiatives enable MTCs to seek production efficiencies, lower costs, and extend their markets at a time when governments have been increasingly privatizing to raise capital and reduce debt. Thus, forces for privatization and FDI as well as mergers and acquisitions affect the process of industry consolidation, a process that is at work in the tobacco industry as well as in many other industries.

Concentration in the tobacco industry has resulted in substantial consolidation, such that five firms (four MTCs and one state-run company) controlled 85% of the global tobacco market as of 2014.

These trends have had differing specific results in different countries, though it is clear that privatization and consolidation in this sector pose major challenges for public health efforts. Going forward, this environment presents both a major challenge and an opportunity for public health. On the one hand, many countries have been and are at risk from the marketing of tobacco products, and many privatization agreements have had a negative impact on tobacco control efforts. On the other hand, with tobacco manufacturing now in the hands of the private sector in most countries, governments may be

able to move forward with tobacco control and public health efforts without the conflicts of interest inherent in operating state-owned tobacco enterprises.

Privatization was largely completed by the end of 20th century, when state-owned facilities changed ownership either fully or partially to MTCs in most countries worldwide, with a few exceptions. China's state-owned tobacco company, with over 40% of the world's cigarette market share distribution, is the major exception. Many governments had great expectations from these transfers to foreign investors, including higher export earnings, greater employment opportunities in tobacco production, increased tax revenues, and a higher standard of living for tobacco farmers due to better yields, quality, and prices for tobacco production supported by the MTCs. As a result, governments are often reluctant to act on strong tobacco control policies in hopes that multinational tobacco companies will stay in their countries and fulfill these expectations. Currently, however, little or no research shows the extent to which MTCs have met these expectations**.** At the same time, as part of ongoing consolidation and cost-cutting practices, MTCs have been closing their production facilities in a number of countries, costing governments unemployment benefits and loss of tax revenues from income and profit taxes. MTCs may use the threat of such consolidation to influence decision-makers toward weaker tobacco control policies.

Additionally, following trends in global trade, tobacco companies have sought to use trade agreements and IIAs to challenge tobacco control laws in some countries. This practice follows the tobacco industry's history of using litigation as a systematic strategy against tobacco control policies, at both the local and national levels, in many countries. The advent of trade and investment treaties has created new opportunities for tobacco product manufacturers and their representatives to delay or obstruct tobacco control policies around the world. Because of its vast financial resources, the tobacco industry is a formidable opponent in litigation; the industry's resources often dwarf those of countries and subnational jurisdictions that must defend their policies. Sometimes the mere threat of litigation may be sufficient to intimidate countries into delaying or abandoning tobacco control measures. Recently, countries negotiating the Trans-Pacific Partnership Agreement have recognized this problem by adding, for the first time in any trade agreement, a general exception that allows any party the right to deny the benefits of ISDS with respect to any claims challenging a tobacco control measure.[183]

Research Needs

Recent studies have provided crucial evidence of the correlation between privatization, market liberalization, and investment in the growth and efficiency of the tobacco industry. However, ongoing research is needed to continue to study the long-term impact of privatization and FDI in different environments as well as trends in tobacco use in countries that retain government ownership of tobacco enterprises. This research is essential, and it should be expanded to focus on China's state monopoly, its impact on tobacco control, and its relationships with other global tobacco companies. As with other aspects of tobacco control, ongoing surveillance is needed to monitor the use of international trade and investment treaties to influence tobacco control policies.

Research is also needed to better understand tobacco industry strategies to both shape and use trade and investment treaties to promote tobacco use and to interfere with countries' efforts to implement tobacco control policies that accord with the WHO FCTC and its guidelines. Research is needed regarding the tobacco industry's strategies and tactics to counter tobacco control measures—to block, diminish, or delay implementation of the most innovative and robust components of tobacco control—as well as the options available to countries to address these industry actions.

Conclusions

1. Over the past few decades, the privatization of domestic tobacco companies and direct investment by multinational tobacco companies, particularly in low- and middle-income countries, have contributed to the globalization of the tobacco industry.
2. The impact of privatization on public health is varied and is influenced by the strength of domestic regulation. Some countries have implemented strong tobacco control measures after privatization, leading to reductions in tobacco use. However, in the majority of countries, privatization leads to significantly greater efficiency and production, massive marketing campaigns, and increased cigarette consumption—particularly among women and young people.
3. China's state tobacco monopoly is a market leader, with over 40% of global cigarette market share, almost all of which is consumed domestically. The China National Tobacco Corporation appears poised to expand beyond domestic sales by using foreign direct investments, partnerships with multinational tobacco companies, development of an international supply chain to support its premium brands, and by other means.
4. Increasingly, the tobacco industry is using trade and investment treaties to challenge innovative tobacco control policies. The tobacco industry also uses the threat of litigation, with its attendant costs, and lobbying campaigns to deter governments from advancing tobacco control policies, especially in low- and middle-income countries.

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