The looming threat of Asian tobacco companies to global health

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Credit: Simon Fraser University

There are already one billion tobacco smokers worldwide, and this number is likely to rise further with Asian tobacco companies poised to enter the global market, according to SFU health sciences professor

Kelley Lee.

"While companies like British American Tobacco and Philip Morris, traditionally known as 'Big Tobacco', have been rightfully targeted by [tobacco](#) control efforts to date, on the horizon are several companies based in Asia 'going global' with their [business strategies](#)," says Lee, a Tier I Canada Research Chair in Global Health Governance.

"Their aim is to grow their share of the world market through increased marketing, new products and lower prices. This is likely to mean more smokers worldwide."

Lee and her team are the first to study the global business strategies of Asian tobacco companies, recently published in a special issue of *Global Public Health* entitled, "The Emergence of Asian Tobacco Companies: Implications for Global Health Governance."

Their aim in analysing companies in Japan, South Korea, China, Taiwan and Thailand was to document how these companies are shifting from a domestic focus to become aspiring transnational companies.

"Several of these companies have already started to export their brands to rapidly growing markets in Asia, Europe, the Middle East and Africa," says Lee. "Their success will mean a further increase to the already six million deaths caused by tobacco use each year."

These new research findings suggest that globalization of the tobacco industry may be entering a new phase.

Rather than supporting the expansion of these companies as sources of profit, Asian governments need to recognize that far greater economic, environmental and social costs are being caused by this deadly industry.

The authors conclude that collective action by all countries, focused on the World Health Organization's Framework Convention on Tobacco Control, is needed more than ever.

Lee sat down with SFU News to go over the five case studies that were examined in the special issue, and answered three questions about the findings:

What are the key factors behind the global business strategies of the five Asian tobacco companies?

Trade liberalization and tobacco industry lobbying pressured Asian countries to open their markets to transnational tobacco companies (TTCs) from the late 1980s. British American Tobacco, Philip Morris, R.J. Reynolds and other companies introduced new brands, marketing methods and undermined tobacco control measures to gain a major share of the market in Asia.

The loss of domestic market share also prompted Asian tobacco companies, in turn, to look abroad to grow their own foreign markets. Their global business strategies have borrowed many of the practices used by existing transnational tobacco companies.

Which global business strategies have Asian companies pursued?

Government-supported consolidation, restructuring and rationalizing of domestic operations. This included shutting down facilities deemed inefficient, merging smaller concerns into larger ones and upgrading production capacity. The companies also increased manufacturing, specifically for export to foreign markets, and engaged in new product development to create brands that have global appeal.

Moreover, there has been product innovation, including specially designed filters, flavourings, super slim cigarettes and electronic cigarettes, as well as foreign direct investment in the form of joint ventures, overseas manufacturing and leaf growing operations.

How globalized are Asian tobacco companies to date?

Japan Tobacco International was the first Asian tobacco company to successfully globalize, beginning in the late 1990s, supported by the Japanese government as part owners. Today, Japan Tobacco International is the third largest transnational tobacco company in the world.

Korea Tobacco & Ginseng is well-positioned to become the world's next transnational tobacco company given its active and successful pursuit of foreign markets since privatisation in 2001. The company is achieving rapid growth in eastern Europe, the Middle East and South Asia countries.

The China National Tobacco Company is by far the world's largest tobacco company but to date has been largely domestically focused. Consolidation has been followed by a strong commitment by the state-owned monopoly to "go global" over the next decade through exports, overseas manufacturing and leaf production.

Taiwan Tobacco and Liquor Corporation and Thailand Tobacco Monopoly have both expressed ambitions to globalize, but remain domestically focused and are more likely to become regional players in the foreseeable future.

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