

## THAILAND

(July 1999)

Thailand has a special place in the history of international tobacco control efforts. Its stand against the tobacco multinationals in the late-1980s highlighted the role of the U.S. government in pushing Big Tobacco's agenda overseas through trade policy and helped inspire tobacco control movements across Asia. Many countries in the region have modeled their tobacco control laws after Thailand's, and in the country itself, smoking rates have begun to decline slowly for most population groups. But, caught in an economic crisis not of its own making, all of those gains may now be in jeopardy.

So far, Thailand has avoided being overwhelmed by foreign cigarette companies. The country has some of the strongest anti-smoking legislation in the world, with imported cigarettes accounting for only between 3% and 5% of the 2.4 billion packs sold each year. Thailand has managed to keep out foreign brands through a combination of high taxes, a ban on cigarette advertising, a government monopoly on cigarette manufacturing, and a comprehensive tobacco control program.

The Thailand Tobacco Monopoly (TTM), a state-owned enterprise under the control of the Excise Department of the Ministry of Finance, is the sole legal manufacturer of cigarettes in Thailand. In 1997, TTM made \$1.02 billion in revenues from sales and duties, with its top-selling brand, Krongthip, far and away the biggest selling cigarette in the country.<sup>1</sup> Aside from the domestic market, TTM currently exports small amounts of cigarettes to Vietnam, Burma, Cambodia and Eastern Europe.<sup>2</sup>

Thailand imposes a 60% tax on imported cigarettes, making most imported brands out of reach for ordinary Thais.<sup>3</sup> Among foreign cigarette companies, Philip Morris, British American Tobacco (BAT), Japan Tobacco, Rothmans and RJ Reynolds are all active in the restricted Thai cigarette market, with Marlboros far and away the most popular foreign brand.<sup>4</sup> In fact, Philip Morris has recently begun importing cigarettes manufactured in Malaysia at a radically discounted price (20 cents a pack). Even after taxes are applied, the price of a pack of these Marlboros is competitive with TTM's brands. Although the company is not making much money on these sales, the point seems to be to capture market share by getting new smokers addicted.<sup>5</sup>

In 1996, Thailand harvested 66,000 metric tons of tobacco, 8,000 metric tons of which was exported to the United States. A majority of the tobacco is cured in barns using firewood, which is becoming increasingly scarce.<sup>6</sup> The big three U.S. tobacco leaf companies -- Universal Corporation, Dimon Incorporated and Standard Commercial Corporation -- are all involved in the tobacco business in Thailand, which is the world's 13<sup>th</sup> largest producer of tobacco.<sup>7</sup>

### Trade Issues:

In the mid-1980s, under pressure from the U.S. Cigarette Export Association (a trade group comprised of Philip Morris, RJ Reynolds and Brown & Williamson, BAT's U.S. subsidiary), the Office of the U.S. Trade Representative (USTR) began to use Section 301 of the 1974 Trade Act to open up markets in Asia to U.S. cigarettes (Clayton Yeutter, who now serves on the Board of Directors of BAT, was the U.S. Trade Representative during this period). Under Section 301, the USTR can invoke retaliatory sanctions against countries that discriminate against U.S. imports. The cigarette companies saw this as a golden opportunity to opening up the lucrative Thai market, where the government had banned the import of foreign cigarettes. In 1989 the U.S. announced that it would initiate Section 301 proceedings against Thailand unless it opened up its market to U.S. cigarettes and eliminated the advertising ban, which was necessary, it was argued in the petition, "in order to overcome years of exclusion from the market."<sup>8</sup>

Public health groups in Thailand knew that if the U.S. cigarette companies were allowed to freely enter the Thai market, years of progress against the tobacco epidemic would be wiped out. Working in concert with counterparts in the United States, as well as with the cigarette workers union and the Finance Ministry (which had their own reasons for opposing the U.S. action), these groups launched an aggressive media campaign against what they dubbed "tobacco colonialism."

What followed was an outcry not seen previously in the tobacco wars. Facing intense pressure from international, regional and U.S. public health groups, the USTR was forced to refer the case to the General Agreement on Tariffs and Trade (GATT), the international trade body. The USTR challenged the Thai ban on imports and advertising as being “unfair barriers to trade” and thus against international trade rules. While the GATT panel that heard the dispute struck down the import ban, they upheld Thailand’s right to ban advertising, mandate ingredient disclosure and raise excise taxes, as long as these measures were applied evenly to both foreign and domestic brands. In 1991 foreign cigarettes entered Thailand legally for the first time. In the first year, some 12 million packets were imported. In 1997 that figure had risen to 85 million packs.<sup>9</sup>

Although the import ban was struck down, the ruling was still an important victory for Thailand and other countries facing the onslaught of the tobacco multinationals, because it reaffirmed the principle that certain trade restrictions are permissible on public health grounds. The ruling has helped limit US tobacco company exports to Thailand because without massive advertising campaigns to accompany their brands, they have found it difficult to capture market share. Not coincidentally, smoking rates in Thailand among young people are lower than in other Asian countries which do not have these advertising restrictions. Unfortunately, these gains are in danger of being erased.

### **The IMF & Privatization:**

The economic crisis which has swept through Asia over the past year has hit Thailand particularly hard. Faced with a huge outflow of money from panicky foreign investors, Thailand has been forced to turn to the International Monetary Fund (IMF) for assistance. The IMF has agreed to provide loans to Thailand amounting to \$17.2 billion. But, as in all IMF loan agreements, there are stringent conditions designed to cut the budget deficit, in part by selling off state-owned enterprises. In Thailand, the IMF is demanding that the government sell TTM to private investors, even though it makes a profit for the government. Naturally, the government is reluctant to privatize the monopoly. But public health groups have their own concerns. According to Hatai Chitanondh, president of the Asia Pacific Association for Control of Tobacco in Bangkok and a leading tobacco campaigner, “This isn’t a kind of agency whose efficiency the government should improve. I think it’s even better that the management of the tobacco monopoly remains inefficient, so that they wouldn’t be so good at what they’re doing.”<sup>10</sup>

Chitanondh’s point, that public health is better served by an inefficient monopoly that does not engage in massive advertising campaigns and promotional gimmicks, is lost on IMF officials. They are demanding that the government come up with a concrete privatization plan by the first part of 1999.<sup>11</sup> Of course, the tobacco multinationals have wasted no time courting the Thai government. In recent months, Philip Morris, RJ Reynolds, Japan Tobacco and BAT have all been involved in discussions with TTM. Says Axel Geitz, senior director for external relations at RJ Reynolds International in Geneva, the talks between the foreign companies and TTM is “a little bit like a beauty contest” with each company trying to make their bids more attractive.<sup>12</sup>

The director of TTM says that such a partnership would bring new production technology and increased efficiency, not just in the production process but in distribution.<sup>13</sup> These multinationals, in turn, will be able to manufacture their own brands for sale on both the Thai and domestic markets. This will exempt them from import taxes, and thus make them more competitive in the Thai market. According to the *Wall Street Journal*, the foreign tobacco companies see a deal with TTM as “a way to build sales amid Thailand’s economic crisis, which is sharply curtailing local spending power.” Says Geitz, “people tend to continue smoking as the only luxury they can afford” during times of economic crisis. “I wouldn’t say they smoke more, but they don’t seem to cut down on smoking consumption so much.”<sup>14</sup>

As Gregory Connolly, director of the Massachusetts Department of Public Health and a veteran of the Thai tobacco war in Washington puts it, “The IMF will do more for promoting smoking in Asia by forcing the denationalization of monopolies such as Thailand’s, allowing RJ Reynolds and Philip Morris to buy them out. This will be far better than the use of 301 sanctions by the Reagan/Bush administrations, and

the multinationals know this.”<sup>15</sup>

### **Advertising:**

Even before Thailand was forced to open its doors to cigarette companies, the multinationals were busy advertising their brands. In 1985, billboard, newspaper and magazine advertisements started to appear in Thailand for Marlboros and other foreign cigarette brands. So too did the presence of t-shirts, kites, baseball caps and school notebooks with the Marlboro logo. Although foreign cigarette imports were effectively banned, Philip Morris, RJ Reynolds and BAT followed a “carefully planned strategy,” writes the *Washington Post*. First they started by “softening the Thai market with advertisements and sponsorships” and then “applied U.S. government pressure and the threat of trade retaliation” under Section 301.<sup>16</sup>

Even though the Thai government passed an extremely strict ban on cigarette advertising in 1992, foreign cigarette companies use a variety of indirect means to advertise their cigarettes to Thailand’s young people in anticipation of further market openings. Among the recent violations of the ban cited by Action on Smoking and Health-Thailand (ASH) is the sale of Camel Trophy Adventurewear and Marlboro Classic clothing lines in Thai department stores, even though it is illegal to advertise products that have tobacco brand names.<sup>17</sup> Many of these clothes are sold at a huge discount, making them particularly attractive during times of economic crisis. RJ Reynolds has given away thousands of Camel bumper stickers, sun visors and seat covers which adorn vehicles all over the country. Both they and Philip Morris give display cabinets and shelves adorned with the Camel and Marlboro logos to cigarette vendors. And the cigarette companies often get their brand names onto Thai television through taped programs from other countries, particularly sporting events.

The cigarette companies have also attempted to get around the ad ban by sponsoring the arts. Philip Morris has sponsored a regional arts competition called the “Philip Morris ASEAN Arts Award,” where large cash prizes are awarded. In 1993 Philip Morris sponsored the “Philip Morris Superband Series” which included a concert by Tony Bennett and the McCoy Tyner Trio while in 1994 Reynolds sponsored the “Ambassadors of Opera” series in Bangkok. The cigarette companies also get free advertising by giving charitable donation to such groups as the Population and Development Association of Thailand. And, they curry favor with the media by sponsoring all-expense paid trips to their United States’ factories for Thai journalists.<sup>18</sup>

### **Tobacco Control:**

Thailand has some of the strictest anti-smoking laws in the world. Smoking has been prohibited in most public places since the mid-1970s, including on most forms of internal transport.<sup>19</sup> The Non-Smokers’ Health Protection Act and the Tobacco Products Control Act are model pieces of tobacco control legislation. They ban cigarette advertising in all media, except live telecasts and magazines from abroad, prohibit the distribution of free samples and promotional items, and ban smoking in the public places and the workplace. They also prohibit the exchange of cigarette packs for gifts or entrance into events, as well as the use of tobacco product names to promote contests or services. Health warnings must cover at least 33% of the front surface of all cigarette packs, cigarette vending machines are banned, and sales to youth under 18 are prohibited.<sup>20</sup> The law also mandates that all companies selling cigarettes in Thailand disclose a list of ingredients for each brand to the Ministry of Public Health.<sup>21</sup> Although approved by the Cabinet in May 1995, this provision was not implemented until recently due to strenuous opposition from the multinational cigarette companies, which argued that important trade secrets would be compromised. Unfortunately, their efforts to defeat the bill had the support of the Clinton Administration.<sup>22</sup> The law is now in force and the cigarette companies have complied with it.<sup>23</sup>

Enforcement of tobacco control laws in Thailand is spotty, and requires constant vigilance on the part of local tobacco control groups. A 1996 purchase survey, for example, showed that 97% of 15 year olds who had tried to purchase cigarettes had been successful.<sup>24</sup> As Hatai Chitanondh says, “It’s not like fighting tuberculosis. There you know if you have a good antibiotic you have won more than half the

battle. But in tobacco control there's no antibiotic. Once you have the tobacco companies inside your country, you have to fight them all the way and all the time. It never ends."<sup>25</sup>

### **Mortality and Morbidity**

In 1993, there were 41,000 tobacco related deaths in Thailand. Lung cancer is the second most prevalent type of cancer in men, accounting for a quarter of all male cancer patients. Because of tough tobacco control laws, the educational efforts of public health groups and the relative absence of the foreign multinationals, the number of smokers in Thailand has steadily decreased since the mid-1970s. In 1995, just under half (49%) of adult males smoked and less than 4% of females smoked.<sup>26</sup> However there has been an increase, albeit small, in youth smoking rates in recent years.<sup>27</sup> And, despite the economic crisis, foreign cigarette sales have doubled in the last year.<sup>28</sup> Health officials are also concerned about smoking rates among women. TTM historically has produced cigarettes high in nicotine and tar levels. This, combined with no advertising, has helped keep women's smoking rates extremely low, at between 2% and 5% nationally. Yet recently there has been an increase in the availability of cigarette brands targeted at women, such as Philip Morris' Virginia Slims.<sup>29</sup>

### **Resources:**

San Francisco Tobacco Free Project  
<http://www.globalink.org/gtm/SFTFC>

ASH-Thailand  
<http://www.ash.or.th/>

*Washington Post* (excellent 1996 series on global tobacco issues):  
<http://www.washingtonpost.com/wp-srv/inatl/daily/nov/18/series.htm>

U.S. Department of Agriculture, *Thailand: Leaf Tobacco Analysis*  
<http://www.fas.usda.gov/tobacco/circular/1997/9706/thailnd2.htm>

U.S. General Accounting Office, *Advertising and Promoting U.S. Cigarettes in Selected Asian Countries*, (Washington, DC: General Accounting Office, 1992.)  
<http://www.gwjapan.com/ftp/pub/policy/gao/1993/93-38.txt>

Tobacco BBS (newspaper and wire stories on domestic and international tobacco issues, as well as comprehensive resource guides):  
<http://www.tobacco.org>

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### **EndNotes**

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- <sup>1</sup>. Pichayaporn Utumporn, "Foreign Firms May Partner with Thai Tobacco Monopoly," *Wall Street Journal*, 18 June 1998.
  - <sup>2</sup>. Wichit Sirithaveeporn, "Two Thirds of TTM may be Held Privately," *Bangkok Post*, 7 September 1998.
  - <sup>3</sup>. Pichayaporn Utumporn, "Foreign Firms May Partner with Thai Tobacco Monopoly," *Wall Street Journal*, 18 June 1998.
  - <sup>4</sup>. "Thai Tobacco Monopoly Stake Interests 3 Foreign Cos -- Report," Dow Jones Newswires, 11 September 1998.
  - <sup>5</sup>. "Taking on Tobacco Imperialism: Interviews with Tobacco Control Activists from Around the World," *Multinational*

*Monitor*, July/August 1997.

- <sup>6</sup>. Kevin Latner, *Thailand: Leaf Tobacco Analysis*, U.S. Department of Agriculture, Foreign Agricultural Service, 1998.
- <sup>7</sup>. Food and Agriculture Organization, 1998.
- <sup>8</sup>. Glenn Frankel, "Thailand Resists U.S. Brand Assault," *Washington Post*, 18 November 1996.
- <sup>9</sup>. ASH Thailand Web Site, 1998.
- <sup>10</sup>. Pichayaporn Utumporn, "Foreign Firms May Partner with Thai Tobacco Monopoly," *Wall Street Journal*, 18 June 1998.
- <sup>11</sup>. "Thai Cigarette Monopoly Attracts Foreign Suitors," Reuters, 10 September 1998.
- <sup>12</sup>. Pichayaporn Utumporn, "Foreign Firms May Partner with Thai Tobacco Monopoly," *Wall Street Journal*, 18 June 1998.
- <sup>13</sup>. Wichit Sirithaveeporn, "Two Thirds of TTM may be Held Privately," *Bangkok Post*, 7 September 1998.
- <sup>14</sup>. Pichayaporn Utumporn, "Foreign Firms May Partner with Thai Tobacco Monopoly," *Wall Street Journal*, 18 June 1998.
- <sup>15</sup>. Gregory N. Connolly, personal communication, 10 September 1998.
- <sup>16</sup>. Glenn Frankel, "Thailand Resists U.S. Brand Assault," *Washington Post*, 18 November 1996.
- <sup>17</sup>. Aphaluck Bhatiasevi, "Big Tobacco Firms Aim at Youngsters," *Bangkok Post*, 3 February 1998.
- <sup>18</sup>. ASH Thailand Web Site, 1998.
- <sup>19</sup>. "Thailand," in *Tobacco or Health: A Global Status Report*, (Geneva: World Health Organization, 1997).
- <sup>20</sup>. Thailand Nonsmokers' Health Protection Act B.E.. 2535 (1992) and Dr. Hatai Chitanondh, personal communication, 16 October 1998.
- <sup>21</sup>. Thailand Nonsmokers' Health Protection Act B.E.. 2535 (1992)
- <sup>22</sup>. Carla Anne Robbins and Tara Parker-Pope, "Cable Asks U.S. Embassies To Stop Aiding Tobacco Firms," *Wall Street Journal*, 14 May 1998.
- <sup>23</sup>. Bung On Ritthiphakdee, ASH-Thailand, personal communication, 12 October 1998.
- <sup>24</sup>. ASH Thailand Web Site, 1998.
- <sup>25</sup>. Glenn Frankel, "Thailand Resists U.S. Brand Assault," *Washington Post*, 18 November 1996.
- <sup>26</sup>. "Thailand," in *Tobacco or Health: A Global Status Report*, (Geneva: World Health Organization, 1997).
- <sup>27</sup>. ASH Thailand Web Site, 1998.
- <sup>28</sup>. Aphaluck Bhatiasevi, "Big Tobacco Firms Aim at Youngsters," *Bangkok Post*, 3 February 1998.
- <sup>29</sup>. ASH Thailand Web Site, 1998.