

## **TURKEY**

(June 1999)

Turkey's historically high smoking rates, which gave rise to the phrase "smokes like a Turk," have greatly increased with the entrance of foreign tobacco companies. The country is ranked as the number one growth market in the world, with cigarette consumption projected to rise by over 44% between 1994 and 2000. The Turkish people already consume an estimated 100 billion cigarettes a year, a number expected to rise to 121 billion by the year 2000.<sup>1</sup> An estimated 43% of adults in the population of 63 million smoke, according to government estimates.<sup>2</sup> A 1996 industry review noted that "the anticipated growth in cigarette sales in Turkey is based on the increase in smoking amongst women and the lack, at present, of a strong anti-smoking lobby."<sup>3</sup> Says Sukru Arkayin, Director of Operations for Philip Morris, "This is a market with tremendous potential. The rate of population growth is 2.2 percent each year, and 40 percent of the population is under 18."<sup>4</sup>

### **Tobacco Cultivation**

Turkey is the world's largest producer of oriental tobacco, which is a key ingredient in the lighter "American-blend" cigarettes sold by the tobacco multinationals. Overall, the country is the world's sixth-largest producer of tobacco, accounting for around 3% of global supply, harvesting 261,809 metric tons of tobacco in 1998.<sup>5</sup> Since 1985, the amount of land devoted to tobacco cultivation has increased by 66%, totaling some 725,000 acres in 1998.<sup>6</sup> Although Turkey is a significant exporter of tobacco leaf, recent economic problems in key markets in Asia and the former Soviet Union have led to a drop in exports.

An estimated 500,000 farmers grow tobacco in Turkey, making them a potent political force, particularly in the east of the country where political dissatisfaction is rampant. As a result, the government has attempted to keep tobacco prices there artificially high, with prices set at up to \$2.95 per pound. "Our government tries to support farmers in eastern Turkey," says the assistant director of a Western leaf processing company. "For many people there, tobacco is the only source of income. Without good prices, these farmers would flood to western Turkey."<sup>7</sup>

### **The Marlboro Man Rides Into Town**

Turkey's smokers were first exposed to foreign tobacco products during the 1970s, when smuggled Marlboros and other brands began flooding into the country's bazaars. Until the early 1980s, however, the government-owned monopoly, Tekel, held the exclusive right to manufacture and sell tobacco products. The monopoly's run-down factories produced inferior quality cigarettes, which were harsh tasting and often leaked tobacco particles. It also had an antiquated distribution system, under which store owners were required to visit company warehouses to pick up inventory. And, significantly, the company rarely advertised and never promoted its products to women and young people.<sup>8</sup>

In 1984, the government announced that it would open its market to foreign tobacco companies as part of its effort to modernize the Turkish economy and bring it into compliance with European Union membership requirements. Although foreign companies were allowed to import their cigarettes into the country, Tekel maintained control over pricing and distribution, which allowed it to compete effectively with the imports. Unhappy with these restrictions, Philip Morris engaged in a high-profile lobbying campaign to force the government to rescind them. It hired Sakip Sabanci,<sup>1</sup> Turkey's most powerful businessman, to lobby the government to ease the controls or face the loss of hundreds of millions of dollars in new investments. In May 1991 the campaign finally paid off when Philip Morris and other tobacco multinationals were granted the right to market, price and distribute their own cigarettes in Turkey.

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<sup>1</sup> Sabanci had close ties to the then-Prime Minister Ozal, who had previously served as chief executive of his company.

Philip Morris has since spent \$250 million building a new factory in the southwestern city of Torbali which now has the capacity to produce 35 billion cigarettes per year, and has announced plans for an additional \$150 million in new investments.<sup>9</sup> The company's Turkish subsidiary is already the ninth largest industrial facility in the country. In 1997, it began exporting cigarettes to the countries of the former Soviet Union, and has also invested in leaf growing operations in an effort to reduce its reliance on imported flue-cured and burley tobaccos.<sup>10</sup> Philip Morris is especially keen to see Tekel taken out of government hands. In 1997, Marco Terribilini, General Manager of Philip Morris in Turkey, said "Turkey is a significant market with major potential....Only 18% of the population is above 45 years of age....The Turkish monopoly has to be privatized totally....Philip Morris will play a role under any condition in this privatization."<sup>11</sup>

Since the cigarette market has been opened to foreign competitors, Tekel has been steadily losing market share, despite rising smoking rates in the country.<sup>12</sup> Between 1995 and 1997, Tekel saw its market share decline from 82% to 70%, while Philip Morris saw its grow from 15% to 23%. Third-ranked R.J. Reynolds (now owned by Japan Tobacco) saw its share grow from 2.9% to 7.3%,<sup>13</sup> and the company's factories now account for half of Turkey's cigarette exports.<sup>14</sup> Says Thomas Reibl, General Manager of R.J. Reynolds, "We have put the locomotive on the right track. Now our aim is to speed it up. We will take advantage of this country. Turkey is one of the world's biggest markets....Turkey is promising with its young population."<sup>15</sup> Adds Reynolds' Operations Director Peter Blickisdorf, "Turkey is very attractive from a manufacturing standpoint. The workweek is 45 hours, compared with only 37 in Germany. Utilizing three shifts, we can run our factory six days, 24 hours, without overtime."<sup>16</sup>

### **A "Cellophane-Wrapped Piece of America"**

In the span of a decade, Philip Morris has completely changed the cigarette market in Turkey. Its presence in the country has been particularly pernicious because its innovations in distribution and advertising have been copied by its competitors, including Tekel. Beginning in 1994, Philip Morris began delivering cigarettes directly to stores. Dressed up like American cowboys and driving vans painted like Marlboro packs, Philip Morris salespeople fanned out across the country distributing free point-of-sale displays, posters and neon signs. By turning these retail outlets into advertising venues, the company has succeeded in plastering its brand names in even the most remote corners of the country. This heavy advertising has helped convince millions of Turks – especially young people – to either start smoking or replace their domestic brands with Marlboros, Parliaments and L&Ms. As 19 year old Mehmet Yalcin notes, "None of my friends smoke local cigarettes. That would be humiliating."

Part of the appeal of Marlboros and other foreign cigarettes is that they have a smoother taste and more powerful physical effect than local cigarettes made with oriental tobacco, which by nature has lower nicotine levels than the blends used by Philip Morris and other foreign companies. One taxi driver interviewed by the *Wall Street Journal* said that Marlboros are "mixed with wine, creating a very special, very addictive taste. Smell a Marlboro, and it smells like an alcoholic drink." Although there is no evidence that the cigarettes are actually mixed with alcohol, the driver's comments reflect a commonly held belief in Turkey that Philip Morris adapted its cigarette formulas to specifically attract Turkish smokers. The former head of Tekel agrees: "We generally believe Philip Morris cigarettes use more additives and chemicals than Turkish cigarettes." Specifically, Tekel executives charge that Philip Morris has adjusted the tar levels in its cigarettes to wean Turkish smokers off high-tar Oriental tobacco. Tekel scientists say the tar levels in Marlboros produced at the Philip Morris plant in Turkey were originally higher than those produced in the United States. Company officials deny these claims, although they admit that the cigarettes they manufacture in Turkey are "adapted" to local tastes.

Philip Morris's capture of a quarter of the Turkish cigarette market in less than a decade should perhaps come as no surprise. As the *Wall Street Journal* notes, "the battle plan it used to capture Turkey is the same one it has perfected setting up operations in nearly 30 countries world-wide. First, it lobbied heavily to eliminate the government's control of tobacco prices, enlisting the help of one of

Turkey's most influential businessmen. Then it poured tens of millions of dollars into a state-of-the-art cigarette factory, where, competitors say, it carefully engineered its cigarettes to appeal to Turkish taste buds, but with a stronger kick than local smokes. It dispatched salesmen to 130,000 stores across the country, successfully recruiting many of the mom-and-pop shops to support a vast in-store marketing plan. And it spent lavishly on an advertising blitz of cowboys and panoramic vistas, selling a cellophane-wrapped piece of America for \$1.20.”<sup>17</sup>

### **The Monopoly Responds**

Like in so many countries around the world, the presence of the big tobacco multinationals has forced the Turkish state monopoly to adopt many of the tactics of its foreign competitors. It has launched its own “American-blend” cigarette, Tekel 2000, to compete with Marlboros and other Philip Morris brands. Tekel has also increased its exports to the former Soviet republics as well as the Middle East and Germany. In 1995, the company exported close to 1 billion cigarettes.<sup>18</sup>

Seeking to compete with the might of Philip Morris, Tekel announced in January 1998 that it would form a joint venture with British American Tobacco (BAT). Under the agreement, BAT was to invest \$145.6 million in exchange for a majority stake in the company and a 49-year license to produce Tekel's popular Samsun and Yeni Harman brands. Tekel, meanwhile, was to receive desperately needed capital and manufacturing know-how from the world's second largest tobacco company.<sup>19</sup> Said BAT Chairman Martin Broughton at the time of the announcement, “Finding an effective way to enter the Turkish market, which is one of the largest in the world with total sales of some 100 billion cigarettes, has been one of British American Tobacco's strategic priorities for some time. This project provides us with an excellent opportunity for profitable growth.”<sup>20</sup>

The deal was not without its critics. In fact, the privatization agreement was challenged in court by a coalition of tobacco growers and tobacco industry workers who charged that it violated the Foreign Capital Law, which forbids foreign partners from owning a majority stake in a monopoly. The coalition charged that the government was trying to rush the deal through before the courts could rule on the challenge, and that it had accepted a promise of increased investment from BAT rather than a cash payment. Concern was also expressed for the fate of Turkey's 500,000 tobacco growers, most of whom depend on sales to Tekel. During 1998, the coalition organized town meetings across the country to mobilize opposition to the deal.<sup>21</sup> Their campaign paid off in January 1999 when the new coalition government, as one of its first acts in office, nullified the privatization deal. Declared Industry Minister Metin Sahin, “There will not be any privatization of the monopoly during our term.”<sup>22</sup>

### **Tobacco Control Measures and the Industry's Response**

In 1994, recognizing that the entrance of foreign tobacco companies had made the need for tobacco control in Turkey more urgent, a group of physicians formed the group “Tobacco Control” to push for tougher restrictions on smoking in public spaces and a comprehensive advertising ban.<sup>23</sup> In late 1996, under pressure from these activists, the Turkish Parliament passed one of the strictest tobacco control laws in the world. The law bans cigarette advertising from TV and radio, prohibits print ads using any cigarette “name, trademark or trade name,” forbids any advertising “encouraging” people to smoke and ends tobacco company sponsorship of sporting events. The sale of cigarettes to anyone under 18 is prohibited, and smoking is restricted in airports, schools, public transportation, hospitals and other public facilities.<sup>24</sup>

Unfortunately, the legislation has proven no match for Philip Morris, which has learned in country after country how to deal with less than total ad bans. One of its tactics has been to print “Price Announcements” to newspapers which often “announce” that prices have not changed.<sup>25</sup> The company has taken the name Marlboro out of its ads, but the brand's distinctive red and white chevron is everywhere. Likewise, in hundreds of small convenience stores topped with lighted Marlboro signs,

Philip Morris has simply removed the word “Marlboro” but left the chevron. In Istanbul’s trendy Ortakoy neighborhood, sidewalk cafes use red and white Marlboro umbrellas and trays, provided free by Philip Morris. As 19 year-old Ahmet Tastan, pointing to a red chevron in one store, explains, “This doesn’t say Marlboro, but we understand it. The law didn’t change anything.”

A Philip Morris representative interviewed by the *Wall Street Journal* claimed that the company devotes a lot of time and money to complying with the new ad restrictions, and notes that they even deleted the Marlboro name from its sales representatives’ shirts. “The way we see it, this law focuses on the advertising of cigarette products,” he says. What it doesn’t cover are “non-tobacco products and events,” such as a line of best-selling Marlboro Classics khakis, which cost about \$100 and carry the slogan “For Strength and Endurance.” Philip Morris also hosts parties at nightclubs and sponsors contests. Says the former head of Philip Morris’s operations in Turkey, “Of course, the first thing you do is paint the town red....We painted every building.”<sup>26</sup> In June of 1999, activists reported that the Tommy Hilfiger store in Istanbul was advertising Formula 1 racing with pictures of the Marlboro logo clearly visible, an obvious violation of the advertising ban.<sup>27</sup> R.J. Reynolds has played its part as well. In 1997, the company ran television advertisements for “Camel Trophy Watches” despite the government’s ban on cigarette advertising on TV.<sup>28</sup>

Philip Morris and R.J. Reynolds also appear to have targeted high school students directly. Can Acikel, a high school senior in Istanbul, says that Philip Morris and R.J. Reynolds representatives used to regularly hand out samples near his school. At one time, he says, he got five free packs a day, every day for a week. “When they were launching a new brand, they came so often! They were always here, standing in the middle of the street distributing cigarettes.”<sup>29</sup>

### **Prevalence & Health Impact**

The tobacco companies are hoping to take advantage of the rapidly changing attitudes among Turkish women towards smoking. A 1996 study of 538 randomly selected women in Istanbul found an overall smoking prevalence of 48%. Perhaps more surprising, rates did not differ according to depth of religious beliefs, income, education, marital status or opinions on women’s rights.<sup>30</sup> A 1990 survey showed that some 48% of physicians smoked, while smoking rates among teachers were estimated at 42% in 1988. Studies on smoking prevalence among young people have not been carried out since the entry of foreign tobacco companies. However, a 1986 survey of students found smoking prevalence among 10-14 year olds was 7% for boys and 2% for girls, while for students aged 15-19 years, 31% of males and 5% of females smoked. A 1991 survey among university students aged 20-24 years found that 47% of females and 31% of males smoked.<sup>31</sup> An estimated 70,000 people die from illnesses related to smoking in Turkey every year.<sup>32</sup>

### **Resources:**

*Addicted to Profit: Big Tobacco’s Expanding Global Reach* (Essential Action/San Francisco Tobacco Free Project, 1998): <http://www.essential.org/action/addicted/addicted.html>

Dünya Ekonomi Politika (Turkish Newspaper): <http://www.dunya-gazete.com.tr/>

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

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

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

WHO Country Case Study on Turkey: <http://www.cdc.gov/nccdphp/osh/who/turkey.htm>

World Health Organization's Tobacco Free Initiative: <http://www.who.int/toh/>

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## EndNotes

- <sup>1</sup> David Blackwell and John Barham, "BAT: Turkish joint venture formed," *Financial Times*, 6 January 1998; *World Tobacco File 1996, Volume 2* (London: Market Tracking International Ltd., 1996).
- <sup>2</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *Wall Street Journal*, 11 September 1998.
- <sup>3</sup> "Turkey," *World Tobacco File 1996, Volume 2* (London: Market Tracking International Ltd., 1996).
- <sup>4</sup> Chris Glass, "They Smoke Like Turks," *Tobacco Reporter*, February 1997.
- <sup>5</sup> Taco Tuinstra, "The Right Price," *Tobacco Reporter*, February 1999.
- <sup>6</sup> "Turkey," in *Tobacco or Health: A Global Status Report* (Geneva: World Health Organization, 1997) and FAO Yearbook 1998, <http://apps.fao.org/cgi-bin/nph-db.pl?subset=agriculture>.
- <sup>7</sup> Taco Tuinstra, "The Right Price," *Tobacco Reporter*, February 1999.
- <sup>8</sup> Elif Dagli, "Are Low Income Countries Targets of the Tobacco Industry?" *The International Journal of Tuberculosis and Lung Disease*, Vol. 3, No. 2, 1999.
- <sup>9</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *The Wall Street Journal*, 11 September 1998.
- <sup>10</sup> "Philsa: Making its Mark," *Tobacco International*, January 1997.
- <sup>11</sup> Quoted in Elif Dagli, "Are Low Income Countries Targets of the Tobacco Industry?" *The International Journal of Tuberculosis and Lung Disease*, Vol. 3, No. 2, 1999.
- <sup>12</sup> "Turkey Waves Through B.A.T Joint Venture," Reuters, 5 January 1998.
- <sup>13</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *The Wall Street Journal*, 11 September 1998.
- <sup>14</sup> U.S. Embassy (Ankara), "Tobacco," *Report to the USDA Foreign Agricultural Service*, 12 February 1998.
- <sup>15</sup> Quoted in Elif Dagli, "Are Low Income Countries Targets of the Tobacco Industry?" *The International Journal of Tuberculosis and Lung Disease*, Vol. 3, No. 2, 1999.
- <sup>16</sup> Taco Tuinstra, "Making Inroads," *Tobacco Reporter*, February 1999.
- <sup>17</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *Wall Street Journal*, 11 September 1998.
- <sup>18</sup> "Tekel on Foreign Partnerships," *Tobacco Reporter*, February 1996.
- <sup>19</sup> David Blackwell and John Barham, "BAT: Turkish joint venture formed," *Financial Times*, 6 January 1998.
- <sup>20</sup> "Turkey Waves Through B.A.T Joint Venture," Reuters, 5 January 1998.
- <sup>21</sup> "GM Defends TEKEL-BAT Agreement," *Dunya*, 4 May 1998.
- <sup>22</sup> "Change of Heart," *Tobacco Reporter*, March 1999.
- <sup>23</sup> "Turkey," *World Tobacco File 1996, Volume 2* (London: Market Tracking International Ltd., 1996).
- <sup>24</sup> "Turkey," *World Tobacco File 1996, Volume 2* (London: Market Tracking International Ltd., 1996) and Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *Wall Street Journal*, 11 September 1998.
- <sup>25</sup> Elif Dagli, "Are Low Income Countries Targets of the Tobacco Industry?" *The International Journal of Tuberculosis and Lung Disease*, Vol. 3, No. 2, 1999.
- <sup>26</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *Wall Street Journal*, 11 September 1998.
- <sup>27</sup> Elif Dagli, Globalink Communication, 2 June 1999.
- <sup>28</sup> Elif Dagli, Globalink Communication, 22 November 1997.
- <sup>29</sup> Suein L. Hwang, "Drawn to Marlboro's Buzz, Taste, The Turkish Shun the Local Leaf," *Wall Street Journal*, 11 September 1998.

<sup>30</sup> Elif Dagi, "Are Low Income Countries Targets of the Tobacco Industry?" *The International Journal of Tuberculosis and Lung Disease*, Vol. 3, No. 2, 1999.

<sup>31</sup> "Turkey," in *Tobacco or Health: A Global Status Report* (Geneva: World Health Organization, 1997).

<sup>32</sup> Elif Dagi, personal communication, 9 June 1999.