

VIETNAM (October 1998)

*"The Americans came back... This time, with cigarettes."*¹

In Vietnam, an estimated 73% of men smoke, giving the country the highest male smoking rate in the world.² With rising incomes, increasing urbanization and the opening up of the economy to foreign investment, multinational tobacco companies are hoping that women and young people will someday smoke at the same high rates. In addition to aggressively promoting their brands in Vietnam, these companies are taking advantage of the country's cheap labor to produce cigarettes for export. Domestic tobacco companies have responded to their sophisticated marketing campaigns by stepping up their own promotional activities.

The tobacco industry is largely controlled by the state-run Vietnam National Tobacco Corporation (Vinataba). Vinataba runs the country's five largest cigarette factories and two leaf processing plants, and accounts for about 72% of the legal cigarette market, with the rest accounted for by smaller factories owned by provincial governments.³

With the lifting of the U.S. embargo against Vietnam in 1994, U.S. tobacco companies were among the first businesses to enter the country. That same year, foreign tobacco companies were allowed to contract with local factories to produce their international brands.⁴ Since cigarette imports are banned in Vietnam, this was the only way for the foreign companies to legally enter the market. These locally produced international brands -- which use 100% imported tobacco -- now account for between 15% and 18% of the market, although surveys show that some 38% of smokers would prefer the international brands if they could afford them.⁵ Although in U.S. terms cigarettes are quite cheap, in a country where most people earn less than \$1 a day, they are quite expensive. The most expensive foreign brands sell for about 81 cents a pack, while the cheapest local brands can cost as little as 5 cents. A 1995 survey found that annual cigarette expenditures represented about one-third of the amount spent for food, six times the amount spent on health care, and twice the amount spent on education.⁶

Although Vinataba executives used to say that their goal was "not to increase volume, but to increase quality and value,"⁷ cigarette production is on the rise. In 1996, the tobacco industry produced 42 billion cigarettes, compared with 29.8 billion in 1992. This increase was due largely to the presence of foreign tobacco companies in the country.

- Philip Morris has signed an agreement with the Vinh Hao Factory to produce Marlboros.
- The 555 brand is produced by the Saigon Cigarette factory on behalf of British American Tobacco (BAT).
- RJ Reynolds signed the first joint venture of its kind with DaNang Tobacco Company.⁸ The agreement allows RJ Reynolds to supply the materials and handle the marketing of Winstons, Salems, Camels and Mores made by Vietnamese factories. In 1997 the venture became the first to export commercial-quality tobacco from Vietnam, when it sold over \$1 million worth to Canada and Germany. The company teaches farmers how to grow and cure tobacco and gives them technical and financial support, including funding for fertilizers, pesticides, and other infrastructure. In 1998, the project included 8,000 farmers, more than double the number in 1997.⁹ It appears that RJ Reynolds was lucky to enter when it did. In June 1997, the government announced that the government would stop licencing these joint ventures, although it said that existing agreements would be respected.¹⁰

- Dimon Inc., one of the world's largest tobacco leaf dealers, was the first foreign tobacco company to open an office in Vietnam. It now helps to develop new crop varieties for what it hopes will be a growing export market. Country Manager Andrew Marley makes no bones about why Dimon is in the country. "Because of cheap labor, Vietnam call sell the majority of its tobacco for less than \$3 per kilo....When the trade barriers are removed, we will be extremely competitive." Marley adds, "Tobacco is a fairly safe commodity. Come boom come bust, there will always be smokers."¹¹

Vietnam's poverty levels appear to make it a prime target for foreign tobacco companies looking for countries with cheap labor and available land to produce tobacco. Although most countries prefer not to openly advertise such questionable "competitive advantages", Vinataba Director Nguyen Thai Sinh boasts that "we have abundant land and inexpensive manpower. Our peasants have a reputation of being hard-working."¹²

Smuggling, which is rampant in Vietnam, is the other way to get foreign cigarettes into the country. Vietnam's long international borders and coastline make it difficult to intercept the smugglers. Smuggled cigarettes are estimated to account for about 10% of the market, or close to 200 million packs per year, with Indonesian cigarettes accounting for some 60% of all confiscated contraband. Given that the smuggled cigarettes are not much more expensive than legal domestically produced brands, and given the apparent Vietnamese hunger for anything imported, smuggled brands are quickly snatched up on the streets of the relatively better-off large cities, like Hanoi and Ho Chi Minh City. In addition to the economic costs to the country in terms of lost revenues, smuggling has led to increased corruption among public agencies. Hundreds of thousands of packs of foreign cigarettes, after being confiscated, are reportedly sold illegally on the black market.¹³

As a socialist country, Vietnam has much stricter controls on advertising than most Asian countries. Until 1990, advertising of any product was illegal. However, as the country has begun to open up to foreign investment, its advertising regulations have been loosened somewhat and foreign tobacco companies have been quick to take advantage of the new openings.

Most direct advertising of tobacco products is banned in Vietnam. Yet tobacco companies get around this ban through point of sale ads, sponsorship of cultural and sports events, and direct marketing, all of which are permitted.¹⁴ For example, all of the international tobacco companies sell their cigarettes from trolleys painted with their logo on city streets. As *Tobacco Reporter* notes, "it's hard to overlook BAT's '555' sales carts. The shiny blue trolleys have become something of a leitmotif in Ho Chi Minh City, competing for attention with the red-and-yellow banners that advertise the virtues of socialism on every other street corner."¹⁵ Vendors receive the carts free of charge, and the tobacco company has employees who periodically clean them and make sure the packs are arranged neatly.

The foreign companies also ensure that stores selling cigarettes are equipped with flashy promotional material. As the *Boston Globe* notes, "The nicest piece of retailing equipment in even the smallest dirt-floor stores is invariably a gleaming display case from Marlboro or BAT's 555 brand." One restaurant even went so far as to paint its interior to look like a giant pack of Marlboros.¹⁶ A marketing survey in Vietnam found that only 42% remembered seeing any cigarette ad, but 81% of these remembered a non-Vietnamese brand as the most commonly advertised.¹⁷

Other marketing tools include free handouts of t-shirts, umbrellas, and other items with brand name logos, and the hiring of young women to distribute free cigarette samples in hotels and at public events.¹⁸ These aggressive tactics to win new Vietnamese smokers have caused domestic cigarette companies to step up their marketing efforts in order to protect their market share. New domestic brands include 333 (a play on BAT's 555 brand) and Boy Boy Boy, which features a Vietnamese "Marlboro man".¹⁹

Hopefully, these outrageous practices will soon come to an end. In 1997, the government announced that it was considering a ban on tobacco companies' sponsorship of sporting and cultural events along with tightening of other marketing regulations.²⁰

The Vietnamese government has also promoted a variety of direct and indirect control measures. Smoking is prohibited in public offices, theaters, health facilities and on all domestic flights.²¹ In 1996, it was also banned on army premises. In Ho Chi Minh city, the local government has embarked on a series of health education workshops to inform the public about the health risks of smoking. They have also set up non-smoking public areas in 18 city districts.²²

Much work however, remains to be done in the area of tobacco control. There are no bans on sales to minors, no tar and nicotine limits, and no bans on smokeless tobacco. What's more, cigarette companies are not required by law to include health warnings on cigarette packs.²³

A 1995 prevalence survey of two large cities and two rural areas is the most comprehensive study to date on smoking rates in Vietnam. It showed an overall smoking rate of about 38%, with 73% of men smoking and only 4% of women²⁴. The low incidence of smoking among women is due primarily to a cultural attitude which looks down upon women who smoke. This has made women a prime target of the cigarette companies, which seek to change the image of women who smoke to one of worldliness and sophistication. At the same time, some government-owned tobacco factories supply workers (about two-thirds of whom are women) with free cigarettes during working hours.²⁵

As the economy grows and multinational penetration of the country increases, smoking rates among young people have risen. Given that about 30% (21 million) of the population is under 15 years of age, this is of great concern to tobacco control advocates.²⁶ It is estimated that if children begin smoking at the same rate as their parents, over 5 million of those under 15 will die prematurely from smoking-related diseases.²⁷

Due to a shorter life expectancy in Vietnam and inadequate data, the full impact of the tobacco epidemic has yet to be fully documented.²⁸ Nevertheless, researchers predict that close to 7.5 million people -- or 10% of the population -- will die of smoking-related causes.²⁹ Lung cancer is already the most prevalent form of cancer among men.³⁰

In spite of these staggering figures, there appears to be a high level of awareness of the dangers of smoking, highlighting the fact that public education campaigns alone are not sufficient. Some 87% of smokers are aware that smoking is harmful to your health, and 79% are aware that second hand smoke is also a health hazard, which is quite high compared with many other countries. Unfortunately, doctors have played a relatively minor role in helping to curb smoking rates. Only 15% of smokers surveyed reported that a doctor had ever advised them to quit smoking.³¹

The Vietnamese government promotes tobacco production because it sees it as an important contributor to the national economy in terms of employment and revenue generation, although only .042% of the agricultural labor force is involved in tobacco cultivation and the tobacco industry contributes only around 3% of government revenues. In addition, the industry is responsible for significant economic costs. In 1994, for example, Vinataba imports represented \$87 million in foreign currency losses. Another estimated \$75 - 80 million are sent out of the country to purchase illegal imports.³² This is not to mention the costs associated with health care and lost productivity resulting from tobacco consumption, although those figures have yet to be calculated.

In recent years, the government has been investing heavily in leaf production in an effort to reduce its dependence on expensive imported tobacco. Currently, the country produces approximately 40,000 metric tons of tobacco per year and Vinataba hopes to increase that figure to 60,000 metric tons by the year 2001. "We want to be self-sufficient, and then begin exporting," says General Director Nguyen Thai Sinh. Vietnam's tobacco exports are negligible, although the country has set its sights on Russia

where it used to export a significant amount of cigarettes and where U.S. cigarette companies have been spending hundreds of millions of dollars to establish a strong presence.³³

Although tobacco can be a profitable crop, it is costly to grow. Tobacco companies have had some difficulty getting farmers to switch to tobacco. While in the past, the state told farmers what, where and how much to grow, today farmers make their own decisions about which crops they will grow. Farmers often prefer to grow more profitable crops such as grapes, plums and dragonfruits. This has forced Vinataba to provide inputs, as well as financial incentives, to farmers in order to get them to plant tobacco.³⁴ But farmers who produce for the smaller provincial factories continue to face high levels of uncertainty and receive little or no support.

Although comprehensive data is not available, Vietnam appears to be no exception when it comes to the damaging environmental impact of tobacco production and consumption. Tobacco requires heavy use of pesticides and other agricultural chemicals. Depending on the region, farmers use coal, wood or the sun to dry their tobacco leaf. Approximately five tons of coal are required to produce each ton of dry tobacco. In 1993, 24,050 tons of coal were burned to produce 4,810 tons of dry tobacco, resulting in air pollution which poses a health hazard for area residents and contributes to global warming. Wood is used for drying in the central and southern parts of the country, further contributing to Vietnam's already serious problem of deforestation. Cigarette factories are also a major source of pollution. According to Vietnamese government, Ho Chi Minh City's air pollution -- which is ten times higher than that found in other cities -- is in great part due to the waste generated by the Saigon Tobacco Factory.³⁵

Resources:

Association of Asian Pacific Community Health Organizations
1440 Broadway, Suite 510
Oakland , CA 94612
510.272.9536 tel
510.272.0817 fax
<http://www.aapcho.org>

Asian and Pacific Islander Tobacco Education Network

The Mekong Digest
<http://www.mekongdigest.com/>

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

Tobacco BBS
<http://www.tobacco.org>

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EndNotes

¹ Quoted in Anthony Flint, "In Vietnam, a New Western Invasion," *The Boston Globe*, 9 June 1996.

² Christopher Jenkins; Pham Xuan Dai; Do Hong Ngoc; Hoang Van Kinh; Truong Trong Hoang; Sara Bales; Susan Stewart; Stephen McPhee, "Tobacco Use in Vietnam: Prevalence, Predictors, and the Role of the

Transnational Tobacco Corporations," *Journal of the American Medical Association*, Vol 277, No. 21, 4 June 1997. No nation-wide prevalence surveys have been carried out in Vietnam, but this 1995 study of Hanoi, Ho Chi Minh City and two rural areas is considered one of the most comprehensive prevalence surveys to date.

³ Taco Tuinstra, "The Might of the Tiger," *Tobacco Reporter*, March 1998.

⁴ "Vietnam Tops World Smoking League for Men," *British Medical Journal*, No. 7095, Vol. 314, 7 June 1997.

⁵ Taco Tuinstra, "The Might of the Tiger," *Tobacco Reporter*, March 1998 and Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making*, (University of California at San Francisco, December 1995).

⁶ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making*, (University of California at San Francisco, December 1995).

⁷ Glenn A. John, "Vietnam: Vinataba to Multinationals: Don't 'Leaf' Us Alone," *Tobacco International*, September 1996.

⁸ Taco Tuinstra, "The Might of the Tiger," *Tobacco Reporter*, March 1998.

⁹ "RJ Reynolds Exports Quality Tobacco from Vietnam," *Tobacco Reporter*, March 1998.

¹⁰ Taco Tuinstra, "The Might of the Tiger," *Tobacco Reporter*, March 1998.

¹¹ Taco Tuinstra, "Growing the Crop," *Tobacco Reporter*, March 1998.

¹² Taco Tuinstra, "Growing the Crop," *Tobacco Reporter*, March 1998.

¹³ Hoang Van Kinh, Sarah Bales, and Christopher N.H. Jenkins, *The Economics of Tobacco Control in Vietnam: An Analysis of the Economic Barriers to Tobacco Control*, (University of California at San Francisco, December 1995).

¹⁴ "Vietnam Tops World Smoking League for Men," *British Medical Journal*, No. 7095, Vol. 314, 7 June 1997.

¹⁵ Taco Tuinstra, "The Might of the Tiger," *Tobacco Reporter*, March 1998.

¹⁶ Anthony Flint, "In Vietnam, a New Western Invasion," *The Boston Globe*, 9 June 1996.

¹⁷ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making. A Tobacco Use Prevalence Survey*, (University of California at San Francisco, December 1995).

¹⁸ Barnaby Feder, "Vietnam Men Have Highest Smoking Rate, Research Says," *The New York Times*, 4 June 1997.

¹⁹ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making*, (University of California at San Francisco, December 1995).

²⁰ "Vietnam: New Joint Ventures Under Threat," *World Tobacco*, No. 159, July 1997.

²¹ World Health Organization, "Vietnam," *Country Profiles*, 1997.

²² Judith Mackay, "Summary of Report on Tobacco Workshop in Ho Chi Minh City," 20-26 July 1996.

²³ World Health Organization, "Vietnam," *Country Profiles*, 1997.

²⁴ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making. A Tobacco Use Prevalence Survey*, (University of California at San Francisco, December 1995).

²⁵ Judith Mackay, "UICC Visit and Workshop," 20-26 July 1996.

²⁶ Judith Mackay, Summary of Report on Tobacco Workshop in Ho Chi Minh City, 20-26 July 1996.

²⁷ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making. A Tobacco Use Prevalence Survey*, (University of California at San Francisco, December 1995).

²⁸ Judith Mackay, Summary of Report on Tobacco Workshop in Ho Chi Minh City, 20-26 July 1996.

²⁹ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making*, (University of California at San Francisco, December 1995).

³⁰ Judith Mackay, Summary of Report on Tobacco Workshop in Ho Chi Minh City, 20-26 July 1996.

³¹ Pham Xuan Dai, Do Hong Ngoc, Truong Trong Hoang, Christopher Jenkins, *Vietnam: A Tobacco Epidemic in the Making*, (University of California at San Francisco, December 1995).

³² Hoang Van Kinh, Sarah Bales, and Christopher N.H. Jenkins, *The Economics of Tobacco Control in Vietnam: An Analysis of the Economic Barriers to Tobacco Control*, (University of California at San Francisco, December 1995).

³³ Glenn A. John, "Vietnam: Vinataba to Multinationals: Don't 'Leaf' Us Alone," *Tobacco International*, September 1996.

³⁴ Taco Tuinstra, "Growing the Crop," *Tobacco Reporter*, March 1998.

³⁵ "Ho Chi Minh City: Air Pollution 10 Times Higher than in Other Cities," *Lao Dong*, 13 August 1995, cited in Hoang Van Kinh, Sarah Bales, and Christopher N.H. Jenkins, *The Economics of Tobacco Control in Vietnam: An Analysis of the Economic Barriers to Tobacco Control*, (University of California at San Francisco, December 1995).