

INDIA

(October 1998)

With a population of almost 1 billion, India is a major target of the multinational cigarette companies. For decades, the Indian economy remained relatively closed to foreign investment. Combined with pervasive poverty and the widespread use of traditional forms of tobacco, such as high-nicotine “bidis” (cheap hand-made cigarettes wrapped in tobacco leaf) and various types of chewing tobacco, the consumption of “modern” cigarettes remained relatively low. In recent years, however, that has begun to change as the multinationals have taken advantage of economic liberalization and rising incomes among some segments of society to hawk their product to India’s growing population of young people (over 50% of the population is under the age of 24).¹ Ram Poddar, CEO of Philip Morris subsidiary Godfrey Philips says hopefully, “When people become more prosperous and have more disposable income, consumption of cigarettes will go up. Cigarettes are a much more modern and superior product.”²

Tobacco Cultivation:

India is a major player in the international tobacco market. It is the world’s third largest producer of tobacco and the eighth largest exporter, responsible for around 6% of the world trade in tobacco.³ In 1997, India cultivated over one million acres of tobacco, producing 604,500 metric tons, a 2% increase over 1995.⁴ Around 70% of this was used in the production of bidis and other non-cigarette tobacco products.⁵ Tobacco exports, meanwhile, have been booming in recent years, reaching 115,000 metric tons in 1997, a 48% increase from 1995.⁶ The bulk of these exports are going to the countries of the former Soviet Union where the multinational tobacco firms, engaged in a massive build-up there, have come to rely on India as a source of cheap “filler” tobacco.⁷

This export boom has been facilitated by the presence of U.S.-based tobacco leaf companies such as Dimon, Universal Corporation and Standard Commercial. These companies buy and in some cases process Indian tobacco leaf. Standard Commercial, for example, recently announced the construction of a factory to process and market tobacco, primarily for export. President and CEO of Standard, Robert Harrison, says that the company will have “the most modern threshing plant operated by a leaf merchant in India....we anticipate increasing demand in future years.”⁸ Referring to the growing presence of the cigarette multinationals in India, the company says that the venture will give it “the opportunity to participate in the domestic market as our multinational customers continue to expand into this region.”⁹

Tobacco Industry:

The bidi industry remains the largest manufacturer of tobacco products in India. Bidis are hand-rolled by more than 4 million poor people who work out of their homes. Through a contractor, they are provided with the raw materials and are paid around 45 cents a day, depending on the number of bidis made. Child labor in the bidi industry is common.¹⁰ In recent years, a type of chewing tobacco called “pan masala” has also become extremely popular. This chew mixture contains tobacco, areca nut and flavored additives. It is sold in small packages that may cost 1-2 cents, cheap enough for even school children to buy.¹¹

Cigarette consumption currently represents less than 20% of tobacco consumption, but is expected to rise to around 33% in the next ten years.¹² Although bidis and chewing tobacco remain popular among the poor due to their low cost, the cigarette companies have been engaged in an aggressive campaign to convert India’s 250 million tobacco users and entice the young to take up the habit. One of their tactics has been the creation of the “mini” cigarette, a non-filtered and less-expensive version of a regular cigarette. Says a manager of one tobacco company, “We don’t make much revenue with

micros. We sell them and hope people will move up [to more expensive brands].” Minis are now the fastest growing segment of the tobacco market in India, increasing at a rate of over 15% per year.¹³

ITC, which had been having trouble selling its Heroes brand mini-cigarette, hired a famous director to make a series of short films to convince people that although the cigarette was small it was made for masculine men. Commercials depicting a famous Indian movie star beating up villains and getting the beautiful girls while smoking the tiny cigarettes were shown in movie houses around the country. Sales went from 0.6 billion cigarettes in 1994 to 18 billion by 1996.¹⁴

Up until recently, India’s cigarette sector, like much of the rest of its economy, remained relatively closed to the presence of foreign multinationals. In the early 1990s however, under pressure from the World Bank and the International Monetary Fund, India began to open up its economy to foreign investment.

Currently, four Indian companies account for 99% of the cigarette market (foreign multinationals hold minority stakes in three of them).¹⁵ The Indian Tobacco Company (ITC) is by far the largest of these firms, controlling a whopping 67% of the cigarette market.¹⁶ The company’s business includes cigarette manufacturing, tobacco leaf procurement and processing, as well as investments in the manufacture and export of cigarette packaging materials. Recently, ITC embarked on an ambitious expansion program. Over the next five years the company expects to spend over \$90 million to build and upgrade leaf processing plants and storage facilities and invest an additional \$225 million to build new cigarette manufacturing plants.¹⁷ Says Kamal Ramnath, CEO of ITC’s tobacco division, “Our primary aim is to expand the market for cigarettes. We have the responsibility, being market leader, to do so.”¹⁸ In addition to serving the growing domestic market, the company hopes to also boost its exports of cigarettes and unmanufactured tobacco.¹⁹

ITC also has extensive holdings in the tourism sector. The company runs ITC Hotels and the WelcomeGroup chain, which services the “upmarket business and leisure” crowd. The company is planning on investing around \$300 million over the next five years to upgrade and expand these holdings.²⁰ ITC, which posted a 72% increase in net profit in 1998 to almost \$145 million, has attracted the interest of foreign institutional investors, who have driven the price of the company’s stock to record heights. In mid-1998, many Wall Street analysts recommended ITC’s stock as a “buy,” reflecting their confidence both in the growth of the company and the inevitability of liberalization in the Indian tobacco sector.²¹

Recent developments bear this prediction out. Previously, foreign companies could only enter the country through joint ventures, and had to export at least half of their production.²² Over the past year the government has been loosening these restrictions, culminating in an August 1998 decision to allow multinational corporations 100% ownership of cigarette manufacturing plants in the country, a move that has been fiercely resisted by public health groups and unions.²³ A recent market analysis predicts that the multinationals will initially operate through joint ventures and licensing arrangements with Indian companies but will eventually take over the market completely, much as they have done in so many other countries.²⁴

In preparation for liberalization, the tobacco multinationals have been stepping up their presence in India. BAT already owns 32% of ITC²⁵ and recently signed an agreement with it to manufacture its Benson & Hedges and State Express 555 brands.²⁶ Philip Morris has a 36% stake in India’s second biggest tobacco company, Godfrey Phillips India, and has been negotiating a licensing agreement to manufacture and sell its Marlboro brand.²⁷ RJ Reynolds has set up a joint venture with the MK Modi Group to produce its Camel, Winston and Salem brands, and is reportedly ready to invest an additional \$150 million to step up its marketing efforts and upgrade existing plants.²⁸ Rothmans, meanwhile, recently announced that it was investing \$150 million in its Indian subsidiary in order to boost production of its Rothmans and Dunhill brands.²⁹

Prevalence & Health Issues:

Around 200 million men and 45 million women in India use some form of tobacco.³⁰ Unlike in many countries, the use of traditional tobacco products in India is still quite strong. Bidis account for over 40% of tobacco use, cigarettes for around 20%, with the rest accounted for by various forms of chewing tobacco.³¹ Domestic consumption of tobacco is growing steadily, at between 5% and 7% between 1993 and 1996.³² Currently, around 1 trillion bidis and 90 billion cigarettes are consumed each year.³³

Tobacco use among children in India is of particular concern. Each day, 55,000 children in India start smoking, compared to around 3,000 each day in the United States.³⁴ According to a recent survey, approximately 4.65 million children under the age of fifteen are addicted to tobacco.³⁵

Tobacco use exacts a heavy human toll on Indian society, claiming some 630,000 lives a year, or the equivalent of four 747s full of people crashing every day.³⁶ Half of all cancers in men and a quarter in women are caused by tobacco use. Because of the widespread use of chewing tobacco, India also has one of the highest rates of oral cancer in the world, accounting for one-third of all cancers in the country.³⁷ Tobacco use also exacts an enormous economic toll on the country. The Voluntary Health Association estimates that tobacco-related illnesses cost the government some \$11 billion a year.³⁸

Tobacco Control:

The government, through an executive order rather than legislation, has banned smoking in hospitals, government offices, schools and on some domestic transport, and requires health warnings on all cigarette packages. Cigarette taxes represent about 75% of the retail price. However most bidis and other non-cigarette tobacco products are not taxed due to the de-centralized nature of the industry and the political influence of the larger bidi manufacturers.³⁹ Because of the high incidence of oral cancer, the government is currently discussing a ban on chewing tobacco after some recent surveys among school children in Bombay showed that 12-18% of high school students were addicted to pan masala.⁴⁰ Manufacturers on the other hand contend that this is merely a ruse being pushed by the multinational tobacco companies wishing to capture the Indian market.⁴¹

Tobacco Advertising:

Cigarette advertising is widespread in India, appearing in newspapers, magazines, and movie trailers.⁴² In spite of protests by health activists, the government has agreed to industry requests for a voluntary code of conduct for tobacco advertising. Taking effect on October 1, 1998 the code will ban tobacco ads that use public personalities to promote the product or claim that tobacco use leads to a better life.⁴³

This clearly will not stop companies like BAT, which has launched an aggressive campaign to promote its Benson & Hedges brand. In Bombay, young people with black and gold t-shirts roam the city's streets distributing free packets of cigarettes at bars, colleges and even playgrounds. The company has also organized rock concerts with popular local performers where its logo is prominently displayed.⁴⁴ According to Dr. Prakash Gupta, a local researcher, the companies "deliberately catch youngsters and get them hooked to their products. By the time people realize the implication and the dangers of smoking they are addicted."⁴⁵ ITC came under fire a few years back during the launch of its new "Ultra" brand in the city of Madras. School children were paid to go to discos and hand out invitations to a party. Only children were invited to this party where free liquor and cigarettes were distributed. The kids were then photographed for use in future ad campaigns.⁴⁶

The tobacco companies put their cigarette brand names on all sorts of consumer products, a practice known as "brand-stretching." ITC promotes its brand names through vacation tours, such as Wills Holidays, GoldFlake Golden Getaways and Classic Golf Tours. Wills is also advertised on television through ads for Wills diaries and calendars, while India Classic is promoted through the India Classic clothing collection. ITC has even established a 27-hole Classic Golf Resort, set up the Classic Pro

Shop at the Royal Calcutta Golf Club, and entered into an agreement with Russell Athletic Company, famous in the United States for its sweatshirts and golf apparel, to manufacture sports gear and fashion apparel.⁴⁷ Four Square cricket gear, named after Godfrey Phillips' flagship brand, is advertised during televised cricket matches, while BAT hawks Kent Leisure Tours. Some of these products are not even sold in India. Rather, the purpose is to familiarize the Indian public with the trademark names.⁴⁸ Chewing tobacco companies, meanwhile, advertise through the sponsorship of sporting events, cinema awards and even religious festivals. They also place prints ads depicting well-known movie, sports and political figures.⁴⁹

Cigarette company sponsorship of sporting events, is still permitted, as witnessed by the recent agreement by ITC to pay \$16 million to rename the World Cup of Cricket the Wills World Cup and put its logo on all of the players' uniforms.⁵⁰ The company has also paid Indian tennis stars to endorse GoldFlake cigarettes.⁵¹

The advertising does work. A 10-city survey of over 9,000 students between the ages of 13 and 17 showed that after seeing the Wills World Cup Cricket Series, 13% felt a desire to smoke. The survey also showed 72 % thought that there was at least one smoker on the Indian Cricket Team that played in the 1996 World Cup.⁵² A previous study published in the *British Medical Journal*, showed similar results. It concluded that cigarette company sponsorship of the India-New Zealand cricket series in 1995 had a significant impact on kids who watched it on television. The advertising created the impression among the 1,948 children aged 13-16 years who participated in the survey that "smoking gives more strength, improves batting and fielding and ultimately increases the chance of winning."⁵³

Since so few women in India smoke, they are a particular target of the cigarette companies' advertising campaigns. In 1990, BAT introduced a new cigarette brand aimed specifically at Indian women: "Ms." cigarettes. The launch was accompanied by a massive publicity blitz. In response, women's groups and other civic organizations organized massive protests. The industry's response was that they were targeting "emancipated" women, that the models used in the advertisements were in Western clothes and that in any case the models were not actually shown smoking. Following weak sales of the Ms. brand, the company tried hiring a famous movie actress to pitch their product. When that didn't work, their next advertising campaign ended with the line: "just give us a call and we will deliver a carton at your address." The brand is still being sold in India.⁵⁴

San Francisco Youth Challenge the Bidi Industry:

Youth advocates with the Booker T. Washington Community Service Center in San Francisco have for the past year been engaged in a vigorous advocacy campaign around the health impact of smoking bidis and the working conditions of children in bidi industry. Concerned about the proliferation of bidi use among their peers, these advocates conducted a purchase survey of stores in San Francisco and found that youth were able to purchase bidis over 25% of the time. Sold in flavors such as strawberry, mango, vanilla and chocolate, 70% of the bidi brands sold in San Francisco have no health warning label even though the law requires it. As a result, the youth have filed a complaint with the Federal Trade Commission which is now investigating the matter. The youth have also been making presentations around San Francisco highlighting the plight of youth in India who are being exploited by the bidi industry.

RESOURCES:

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

Ebonne X. Smith, Project Coordinator
Booker T. Washington Community Service Center
800 Presidio Avenue
San Francisco, CA 94115
tel. 415-923-1430

Tobacco BBS (useful news and resources on tobacco): <http://www.tobacco.org>

GlobaLink – International Union Against Cancer (news bulletins and electronic conferences on global tobacco issues): <http://www.uicc.ch>

International Tobacco List-serv:

Send the message "subscribe intl-tobacco <your name>" to <listproc@essential.org>

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EndNotes

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