

Opening Gambit: Strategic Options to Initiate the Tobacco Endgame

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Summary

Endgame strategies to rapidly hasten the decline of tobacco are already well within reach; a few plausible policy options are outlined herein for policy practitioners, tobacco control advocates, and public health specialists. The implementation of these measures which already exist within the gamut of existing legislation requires the galvanization of political will. The options we essay include liquidating existing public investments in tobacco, holding tobacco companies accountable within the jurisdictions of their operations, fixing liability for injury and the imposition of realistic costs on insurance providers.

Key words: Endgame, tobacco control, tobacco epidemic

INTRODUCTION

In chess and other tactical games, a gambit (from early Italian gambetto, meaning “to trip”) is the opening move in which a player uses strategies to gain an advantageous position. The efforts of tobacco control advocates and the tobacco industry is an evolving game of strategies with each trying to outwit the other. The price paid of course is very real and is in terms of lives lost prematurely, several generations wasted, and hidden economic costs that are borne by governments, tax payers, and the public at large. With each new initiation into tobacco use and a build-up of lifetime addicts of tobacco contribute to tobacco industry’s ever increasing profits. Governments too perversely benefits from the tax they exact from the tobacco industry and tobacco users. Several countries with progressive tobacco control programs have offered insight on how a package of policies on tobacco control can work. To this end, six evidence-based policies were put together and launched in New York City by the WHO on February 7, 2008, and called MPOWER, which has since become an internationally-applicable and recognized package of essential tools for tobacco control. Tobacco industry in the meanwhile has continued its nefarious games to perfidiously sell its noxious products to underage and vulnerable populations and has launched a series of new products to entice users.

Since 2010, several countries with mature tobacco control programs have proposed an “endgame” for tobacco use. These comprise several alternative futures. Countries that have proposed endgame strategies include New Zealand, Singapore, Australia, Norway, and Finland, some states within countries like Tasmania in Australia. Certain preconditions are needed for a serious consideration of endgame policy proposals. Typically, endgames are plausible for countries where existing prevalence has historically been low or where there has been a sharp decline in tobacco use in recent years, and where there is public support and demonstrated political commitment to reduce tobacco use. A range of options has been suggested, from eliminating tobacco production and distribution by finding alternative crops to tobacco and supporting alternative livelihoods for those employed in the tobacco sector.

Such recommendations are politically challenging and difficult to implement, but new strategies including tobacco-free generations^[1] and the elimination of the

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production and distribution of tobacco products^[2] have been proposed in countries with a low prevalence of tobacco use. While there are many options on the table at the tactical level, planning an effective end game will need to examine and disentangle existing relationships between the tobacco industry and the national economy. This is an essential departure point for any end game as it forecloses spaces of interdependence, collaboration (direct/indirect), and collusion (explicit/tacit) between the state and industry. This will avoid conflicts of interest, lead to coherent policies that prioritize public health over commercial profit, needed to anticipate, and counter any number of the devious measures that tobacco industry will deploy to undermine endgame efforts. Governments need to scrutinize and dissolve the links between their economies and the tobacco industry before adopting policies that will actually lead to elimination tobacco use.

STOP PUBLIC INVESTMENT IN TOBACCO

Tobacco companies have always had easy access to capital, being highly profitable entities. Governments continue to furnish tobacco companies with valuable capital through subsidies and investments (directly or through bonds or pensions) as well as tax incentives. This is a veritable “tragedy of the commons” situation: Monies from the public treasury are used for industry to produce a substance that the public consumes (tobacco), the use of which results in health costs collectively that are imposed on the national economy and the exchequer. This is reprehensible. As a first step, governments must stop investing in tobacco cultivation and industry, and plan disinvestments from tobacco companies. This will signal that it may no longer be profitable for private investors to invest in the industry. Donors and socially responsible investing institutions should ensure that their monies do not support the tobacco industry in any way^[3] and eliminate conflicts of interest.^[4,5] It is a fact that even public health orientated multilateral institutions functioning at the level of the United Nations have, until very recently, actually invested in tobacco-related projects. Governments continue to benefit from tobacco companies either as promoters, investors, shareholders or through management participation (exceptions include New Zealand and Norway). To put it plainly, it is time to de-normalize investment in tobacco. Countries considering end games must lead the way. In 2015, a new nonprofit initiative has taken on a mission “to inform, prioritize and advance tobacco-free investment by eliminating tobacco from investment portfolios across the globe,”^[6] and as of August 2016, according to the British newspaper the guardian, “had already persuaded 35 Australian superannuation funds, as Australians call their private pension funds, controlling nearly half the total funds under management to shun tobacco.”^[7]

FIX LIABILITY FOR INJURY

According to the Oxford Medical Companion (1994), tobacco is the only legally available consumer product which kills half

its users when used entirely as intended by the manufacturer. Despite this, few countries have been able to hold tobacco companies responsible for the deaths caused by their deadly products, which continue to be sold widely. Since both legal systems and underlying philosophies vis-a-vis liability differ across countries and often are uneven with regard to the degree of compensation to victims for the loss of life and injury, this remains a challenge for tobacco control. Many developed countries have successfully initiated litigation against tobacco companies to pay for deaths and disease, but this is yet to happen in developing countries.

Ironically, some tobacco companies based in developing countries pay for damages in developed countries, while not doing so in their parent state. Since 1999, for example, India’s largest cigarette maker, ITC has been paying more than one million dollars to the US government toward health damages under the Master Settlement Agreement and another million dollars toward their tobacco buyout program.^[8] Unfortunately, government-owned insurance companies in India are major stakeholders in tobacco companies like ITC. They continue to benefit from tobacco companies either as promoters, investors, shareholders, or management participation.

However, there is a glimmer of hope. In April 2014, South Korea’s national insurer sued the two largest private cigarette makers and the government-owned domestic cigarette maker to offset treatment costs for smoking-related illness.^[9] Litigation such as that initiated in South Korea no longer needs to be an exception but must become the rule in developing countries too. This is urgent – tobacco companies are investing in low- and middle-income countries to take advantage of the youth demographic and to capture this market for many years to come. This form of litigation has the potential to send a strong message to people, investors, and markets that tobacco is a toxic asset.

HOLD TOBACCO COMPANIES ACCOUNTABLE WITHIN THE COUNTRIES WHERE THEY OPERATE

The sale and use of tobacco industry products typically cause death in country A due to direct consumption, but the industry moves profits from country A to country B – due to lax enforcement at various levels. Capital mobility made possible by financial globalization is a phenomenon known as transfer pricing and is a common strategy of multinational companies in other sectors of the economy. Tobacco companies are also aggressive at tax avoidance. British American Tobacco, for example, owns over 200 companies in tax havens.^[10] At this stage, it may be too much to expect a global consensus for harmonized global accounting standards that require companies to break down their accounts on a country-by-country basis, improve transparency, and reduce capital flight. Nevertheless, there is a need for political will to arrest capital flight from sales of tobacco from poor and developing countries.

IMPOSE REAL COSTS ON INSURANCE PROVIDERS FOR THE REAL COSTS OF TOBACCO

Tobacco use takes away many productive years from individuals, firms and therefore a country's entire population. A 2013 study found that in the United States, the difference in terms of annual health insurance premiums for insuring a smoker as opposed to a nonsmoker is estimated to be \$5816.^[11] This difference reflects the actual health costs that will be incurred due to tobacco use but will necessarily be borne by public resources.

However, this reality is rarely reflected in the actual policies sold and premium collected. While insurance companies fix premium prices for smokers and nonsmokers differently, collusions between insurance companies, firms, and employees ensures that many smokers hold policies with premium on par with those covering nonsmokers.^[12] This underpricing causes a market distortion, ultimately imposing costs on the public health system. Such a scenario requires the intervention of the state or a regulator to ensure that accurate costs are built into the processes of risk-assessment and sale of policies in the insurance marketplace. Clearly, a fair risk-assessment process is not only economically efficient but also reduces moral hazard and adverse selection.

The strategies we present here confront the strengths of the tobacco industry which operate at a structural level – their enormous financial clout and their deceptive goodwill with governments, institutions, and investors. To truly make tobacco history will require bold steps by governments especially those in developing countries. These will need to be in terms of policies that will make structural shifts in the market and influence behavior of its people. These policy steps often require the equivalent of incremental policy innovation with variations on existing themes using existing legislation from the policymakers' menu of existing options. Creative extensions of legislation, backed up by strong political will and transparent processes to upgrade the importance of public health issues and doing so publicly, will prove effective. In countries like

India, the demographic dividend stands to be compromised without bold measures such as the implementation of policies that lead to an endgame for tobacco.

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