Published in final edited form as:

Tob Control. 2009 February ; 18(1): 22–28. doi:10.1136/tc.2007.021782.

British American Tobacco's failure in Turkey

S Lawrence

Royal Holloway, University of London, London, UK

Abstract

Background and objectives—Transnational tobacco companies (TTCs) considered Turkey an important, potential investment market because of its high consumption rates and domestic commitment to tobacco. This paper outlines how British American Tobacco (BAT) attempted to establish a joint venture with the government monopoly TEKEL, while waiting for privatisation and a private tender.

Methods—Analysis of tobacco industry documents from the Guildford Depository and online tobacco document sources.

Results—BAT failed to establish a market share in Turkey until 2000 despite repeated attempts to form a joint venture with Turkey's tobacco monopoly, TEKEL, once the market liberalised in the mid 1980s.

Conclusions—BAT's failure in the Turkish market was due to a misguided investment strategy focused solely on acquiring TEKEL and is contrasted with Philip Morris success in Turkey despite both TTCs working within Turkey's unstable and corrupt investing climate.

Arguments on the globalisation of the tobacco industry note the supremacy of transnational tobacco companies (TTCs) in their seemingly uncompromised ability to enter into new markets.^{1–4} British American Tobacco (BAT) and Philip Morris (PM), the top two tobacco transnationals, utilised liberalisation of trade to enter into Turkey's market but due to differences in corporate strategy, BAT was not successful in gaining market share post liberalisation.

Global trends to liberalise trade—including the increase in foreign direct investment, the lowering of import duties and domestic changes to assist with importation and investment—fuelled TTCs.^{3,5–8} Subsequently, TTCs moved production facilities to low income countries in the mid 1980s.⁷ Expansion was facilitated by regional price differences, which encouraged cross-border trade and the substantial foreign currency earned from the tobacco trade.⁸

In addition to expanding to new markets through imports (as a result of trade liberalisation), TTCs have accessed new markets through local production (by benefiting from foreign direct investment). This has a number of advantages. It allows TTCs to avoid import duties and to benefit from lower costs of raw materials, labour and transport, alongside the sometimes less stringent restrictions on tar and nicotine levels. Reduced production costs can in turn lower prices, which promotes the sale of cigarettes. While the TTCs entry to Asia in the 1980s was largely a result of trade liberalisation, their entry to Latin America before this and to the former Communist countries since have largely resulted from investment liberalisation. In the latter, the TTCs benefited from trends to privatise national monopolies—either due to pressure from the International Monetary Fund (IMF) or because of national politics.^{9–12} The process of

Correspondence to: S Lawrence, Royal Holloway, University of London, Egham Hill, Egham, TW20, 0EX, UK; s.lawrence@rhul.ac.uk.

Competing interests: None.

privatising national monopolies tends to occur in stages. TTCs establish licensed production, provide manufacturing technology and then pressure governments to denationalise, leaving the TTCs in prime position to acquire the monopoly.¹³

Turkey was a particularly important potential market for expansion for TTCs because of its large cigarette market and high consumption rates. Currently, 43% of Turkish people smoke, with adult smoking rates of 62.8% for men and 24% for women.¹⁴ BAT considered Turkey “a big market” that “should not be lost”,¹⁶ but as this paper explains, BAT focused solely on establishing a joint venture with the government monopoly TEKEL (literal translation: monopoly, or single-handed) while waiting for privatisation and a private tender. This was in contrast to the outright success of PM in the Turkish market, where they now maintain the same share as TEKEL, both at 40%.¹⁷ This paper explains why BAT failed in Turkey and highlights the contingent nature of tobacco investment on corporate strategy.

METHODS

This paper is based on a systematic analysis of BAT documents from the Guildford Depository (Guildford, UK), Tobacco Documents Online (<http://tobaccodocuments.org/>) and Legacy Tobacco Documents Library (<http://legacy.library.ucsf.edu/>). The limitations to tobacco document analysis have been outlined previously.^{18–22} At the Guildford Depository, BAT provided an ineffective database to search and order documents. Documents are held in over 46 000 files, which are labelled at file level based on file themes, so search terms started with country name or key personnel. Online searching used a “snowball” technique where one document provides search terms that expand exponentially. PM documents were also searched using Tobacco Documents Online in order to contextualise BAT’s experiences in Turkey, but a “snowballing” technique was not used. Instead, a focused search strategy using key terms or words found in the BAT documents (ie, for Turkey, PM’s subsidiary Philsa) was used. A hermeneutic model was used to analyse documents,²³ which involves returning to a document repeatedly until its meaning is understood.²⁴ Information from one document builds on another, but the first document is essential for understanding the next. This process is repeated until all available documents are searched and a coherent story unfolds.²⁵ Information found in the documents was triangulated with peer-reviewed journals, non-governmental, intergovernmental and governmental reports, and newspaper articles.²³ Contextualising data strengthens the findings and increases reliability and validity overall.

RESULTS

Background

Turkey’s entrance into the global economy was pursued by President Ozal, who was democratically elected in 1983 after a period of military rule. However, foreign investors were deterred because of internal instability: corruption, hyperinflation, high national debt, high interest rates and an unstable government.²⁷ Moreover, Turkey’s inflation remained unstable throughout the 1990s, and debt accumulated due to several failed privatisations and the government-supporting debt-ridden banks. Instability aside, President Ozal liberalised Turkey’s markets in the mid 1980s, including changes to banking and investment regulation and expansion of imported goods such as foreign cigarettes in 1983. These investment changes arose from the need for trade and investment liberalisation to support the economy,²⁸ and pressure from the IMF, which funded Turkey through three financial crises.²⁸

Investors entering Turkey encountered extensive corruption and political instability. Corruption is pervasive and ingrained in Turkish business and politics. Those in parliament are automatically granted immunity from being prosecuted, and successive Prime Ministers have been charged with taking bribes and other illegal activity after they left office. The giving

of *baksheesh* (money given as recognition of services) to speed transactions continues to be acceptable. Means to combat corruption have proven to be difficult because the court system also requires reform.³² Nepotism was also rife.³³ 34 An example of nepotism in the early 1980s is demonstrated in the appointment of Ahmed Ozal, Prime Minister Ozal's son, to the role of liberalising the cigarette market. The Prime Minister suggested that BAT assist Ahmed with liberalisation, and BAT took the direct liaison as an opportunity to ensure tobacco industry requirements were foremost.³⁵

Turkey's proportional representation system resulted in several coalition governments between the four main parties, with the left-leaning Republican People's Party (CHP) and the Democratic Left Party (DSP or Welfare Party) on one side and the right-leaning Motherland Party (ANAP) and True Path Party (DYP) on the other. Seven changes of government occurred between 1991 and 1999³⁶ 37 due to votes of no confidence.²⁷ 30 38 This volatility deterred investors and BAT's joint venture negotiations stalled several times due to changes in government.^{39–43}

Tobacco has also been a longstanding commodity for Turkey and it is the fifth largest producer of raw tobacco in the world.⁴⁴ Turkey grows and exports Oriental tobacco and cigarettes that are sold by TEKEL Sigara Sanayi Isletmeleri, the government-owned tobacco monopoly.⁴⁵ 46 TEKEL, established in 1932, initially controlled the selling, pricing and distribution of tobacco and tobacco products, but did not advertise,⁴⁵ and was the main supplier of cigarettes in Turkey.⁴⁷

Turkey allowed the importing of cigarettes in 1983, local production rights were granted in 1994, and, consequently, the tobacco market expanded in different directions.⁴⁷ TTCs were not deterred by the unstable investing environment and PM utilised easy access to politicians to lobby the government for importation rights.⁴⁸ RJ Reynolds established a factory in Torbali (Izmir) in 1992 and began producing cigarettes for export to the Middle East and the former Soviet Union a year later.⁴⁹ PM formed a joint venture with Haci Omer Sabanci Holdings, one of Turkey's largest trade and financial companies, to form Philsa and began manufacturing cigarettes for domestic consumption.³⁶ 46 Sakip Sabanci, head of Haci Omer Sabanci Holdings had close ties to Prime Minister Ozal at the time of PM's investment, and PM used to this relationship to increase political pressure.³⁶ 50 51

As a result of local production of international brands (IB), the cigarette market expanded by 1000% during the 1990s as demand and availability of IBs increased.⁴⁹ An assessment on the impacts of this expansion was offered from within PM, and it was noted that once markets were pried open to international blends it "caused both an immediate increase in consumption and a loss of market share for home-produced cigarettes".⁵²

Reason for failure: the wrong strategy

BAT established an office in Izmir Turkey in 1987, used to monitor its leaf-growing experiments.⁵³ 54 It imported brands through Suzer Group and TTL Group⁵⁵ 56 and intended to set up a local manufacturing plant using one of TEKEL's factories and acquire a licensing agreement for some of TEKEL's leading brands. TEKEL had eight factories scattered throughout Turkey, but only two factories, Tokat and Maltepe, were operational. TEKEL also had an additional five unfinished factories at Akhisar, Cigli (near Izmir), Balica (near Samsun), Erzurum and Diyarbakir (eastern Turkey).³⁹

However, BAT failed to make any impression on the cigarette market until 2001 when it established a joint venture with Gurel Group and KOÇ Holdings' marketing subsidiary, Duzey Pazarlama,⁵⁷ cornering 11% of the cigarette market.¹⁷ 57 BAT's failure was due to a 15-year steadfast determination focused on establishing a joint venture with the government tobacco

monopoly, TEKEL, and waiting for TEKEL to be privatised before altering its approach.⁵⁸ One explanation for this focus is BAT's success with this strategy in other transitioning economies, where subsequently BAT were sold major shares in their tobacco monopoly. Moreover, these sales were orchestrated by BAT to be privately sold rather than publicly, giving BAT command of the cigarette market.^{11 59} The failure of BAT and the success of PM, despite both having to contend with the same investing environment, indicate that BAT's formulaic strategy did not fit well within the Turkish context. PM circumvented issues of political instability and legislation because their investment strategy avoided working directly with the Turkish administration and instead focused on setting up licensing agreements with a local business.^{46 49}

In an effort to facilitate joint venture negotiations, BAT met regularly with Prime Ministers, Ministers from Finance, Privatisation and TEKEL between 1991 and 1999.^{36 37} BAT remarked that establishing relationships with those in power was one of the few ways to "achieve anything substantial in Turkey",⁶⁰ although this turned out not to be the case for BAT. It thus sought links directly with staff in the Turkish government and TEKEL. BAT used these connections to lobby for lower import taxation⁶¹ and elimination of duty on Oriental leaf exported for production and then reimportation.^{62 63} However, these political ties did not advance their joint venture negotiations, as the present work explains.

BAT's first joint venture proposal was in 1986 between BAT, TEKEL, the Ministry of Finance and the State Planning Office,⁶⁴ the latter being the gatekeeper for foreign investment at the time.³⁶ The joint venture proposed BAT owning a majority share⁶⁵ with TEKEL supplying a factory in Adana province to BAT and a license to manufacture TEKEL's popular Samsun brand.⁶⁵ Through ongoing negotiations between BAT and TEKEL, the joint venture arrangements dropped the factory in Adana in favour of a factory in Akhisar (Manisa province) and licensing of TEKEL brands Samsun and Yeni Harmen.^{41 66} By 1994, negotiations included the government selling 51% of the Akhisar plant to BAT and a 49-year brand license that would boost BAT's market share considerably.^{49 66} This Akhisar joint venture was the predominant deal BAT negotiated with TEKEL.

However, the joint venture could not be realised until new privatisation legislation enacted in 1994 was clarified, because TEKEL was unsure of what it could sell or lease to BAT under this new law.⁶⁷ TEKEL was not the first State Economic Enterprise (SEE) considered for privatisation in Turkey. There were numerous SEEs in Turkey, legacies left from the establishment of the Republic of Turkey.²⁸ When the SEEs were established in the 1930s they were critical in the development of Turkey's economy, but have since become viewed as a burden.⁶⁸ The Privatisation Administration (PA) decides which SEEs will be privatised, however final decisions are made by the Privatisation High Council.⁶⁸ The process for privatisation was overtly bureaucratic⁶⁸ and fraught with delays in Parliament because continuous government coalitions were divided on the issue.³⁷ This privatisation legislation separated TEKEL's leaf-buying divisions from its manufacturing, thus allowing partnerships with foreign companies, but was not in place until 2001. By then, BAT had altered their strategy and establish a joint venture with KOÇ Holdings.⁶⁹ The Turkish administration considered joint venture negotiations with BAT as a starting point towards privatisation and this seems to be what BAT had in mind.

Prior to 2001, BAT still had to contend with Turkey's convoluted legislation. BAT thought TEKEL's factories were easier to privatise because they could be "hived off" and privatised separately,⁷⁰ but this proved to be untrue. Aileen McDonald, a lawyer for BAT, found the laws unclear because the law did not clearly state if TEKEL could continue to participate in joint venture negotiations with BAT. The confusion seemed to lay in the definition of privatisation and where the joint venture deal fell within this definition. In 1994, BAT and TEKEL were on

the cusp of confirming the parameters of the Akhisar deal with a memorandum of understanding.⁶⁷ McDonald's interpretation was that the law was not applicable to the deal unless TEKEL requested to be privatised through the Privatisation High Council. The law would also be applied if TEKEL wanted to sell off assets such as trademarks or factories, but would not if TEKEL only transferred ownership of property. A separate law would be used to facilitate this process.⁶⁷ Further negotiations occurred between TEKEL, BAT, the Treasury Department, the State Planning Organization and the Privatisation Directorate to see if transfer of assets via a joint venture was feasible;⁶⁷ however, no one seemed clear as to how to apply the law to BAT's joint venture and negotiations stalled for 2 years.⁷⁰

In a surprise turn, the newly elected Prime Minister Mesut Yilmaz announced the privatisation of TEKEL in 1996.⁴³ Privatisation of any of the SEEs was not supported by the general public, especially if jobs were lost, and BAT feared public opposition if the Akhisar deal became public.⁴⁵⁷¹⁻⁷³ After the sudden announcement of TEKEL's privatisation, BAT urged TEKEL that public tendering was not in TEKEL's best interest and that TEKEL would not get a better deal from other investment partners because of its "(declining) assets value".⁷⁴⁷⁵ Heeding BAT's warnings, the government resurrected the Akhisar joint venture and the investment advanced to the stage that it only needed approval from the Turkish High Planning Council and the new minister for TEKEL.⁷⁶⁷⁷

BAT's fears of wider protest became a reality once the Akhisar deal was made public, as trade unions, farmers and competitor PM protested against the deal. Parallel to BAT's negotiations were PM's own plans to establish a joint venture and thwart BAT's joint venture plans.⁷⁷⁷⁸ PM added that the deal gave BAT a larger market share than PM. PM had already invested over US\$400 million in a cigarette plant in Torbali, while this deal would only cost BAT US \$100 million.⁴⁹ TEKEL sided with BAT because they wanted to create more competition in the market.⁷⁷⁷⁸

To add to BAT's difficulties, legal proceedings were initiated against BAT by a coalition of tobacco growers and factory workers because they felt the Akhisar deal violated the Foreign Capital Law, which stopped foreign companies from owning more than 50% of a government monopoly. BAT was accused of promising the Turkish government it would invest substantially in Turkey if the government approved the joint venture deal before the case went to court.⁴⁹ The government finally cancelled plans to form a joint venture in 1999 and the Akhisar deal was terminated.⁷⁹ BAT switched strategies and formed a joint venture with Gurel Group and KOÇ Holdings' marketing subsidiary, Duzey Pazarlama.⁵⁷

TEKEL's cigarette wing went up for auction in 2003 and Japan Tobacco bid \$US 1.5 billion. The government considered the bid too low at half of what was expected, and there were also concerns that Turkey still did not have the correct legislation in place.⁴⁹ The government raised prices of cigarettes to increase the company's revenue for prospective buyers and thus its buying price.⁸⁰ TEKEL went up for auction again in December 2004, but no bids were made and it was thought that a newly-imposed consumption tax deterred bidders.⁸¹ Another sale attempt was made in February 2007, which BAT put in a bid for. However the government withdrew the offer stating that TEKEL needed restructuring before selling off.⁸²⁸³ BAT finally succeeded in purchasing TEKEL in early 2008, for \$1.72 billion, but the sale is subject to clearance through the privatisation council.⁸⁴ The purchase is expected to increase BAT's market share to 36% by combining BAT's brands with TEKEL's popular Tekel 2000 and 2001 brands.⁸⁴

TEKEL

Even though TEKEL is in the process of being sold to BAT, it was a formidable competitor for TTCs. When TEKEL lost control in 1994, with production rights being granted to foreign

manufacturers, it became keenly aware of the implications and planned accordingly. BAT's internal notes indicated that TEKEL was "officially" pleased there was more competition in the market but internally, it was concerned with its prospects³⁹85 and manipulated prices to compete with the more popular blended brands.⁶³86 TEKEL also created a blended product and then a "light" blend to follow global trends.⁴⁶8788 During negotiations for joint ventures, TEKEL negotiated with PM to increase its negotiating power with BAT.⁷⁸ Additionally, it was expanding its export markets to Russia and the Middle East.⁴⁹ With regards to tobacco leaf, TEKEL and the Turkish government encouraged the production and exportation of Oriental leaf through price supports and farmer subsidies. These efforts resulted in Turkey becoming a major exporter of Oriental leaf and cigarettes.⁴⁴45 Moreover, TEKEL is perceived by farmers and voters as a national symbol and a valuable source for employment through farming and manufacturing.⁷⁰8990

But TEKEL's strength as a competitor was limited, as PM phrased it by "their multiple roles as government agency, competitor and distributor".⁹¹ TEKEL seemed to have had the ability to decide the details of joint ventures and sign agreements, but these decisions were invalidated by legislation. Moreover, TEKEL was lined up for privatisation to provide revenue to the unstable Turkish economy. It must be pointed out that external forces also facilitated TEKEL's privatisation, in this case, the IMF. Turkey's economy had experienced several crises and had already received IMF loans to help pay off accumulating debt. Part of the conditions of the 2001 loan was an extensive plan to privatise TEKEL.³¹

PM's domination of the market

BAT's failure in Turkey is in juxtaposition to PM's outright success. PM's brand Marlboro was smuggled into the Turkish market prior to market liberalisation in 1984, which gave the brand a solid beginning and increasing following as the market opened to IBs.⁴⁶

PM also dominated cigarette importation. Prior to local production being allowed in 1991, 85% of the cigarettes imported into Turkey were PM products.⁹² After 1994, PM maintained that dominance by focusing on expanding its IB share, investing over \$US200 million in new factory equipment and banked on 10% growth per year.⁴⁹9193 Just after market liberalisation, Turgot Ozal complained to BAT that PM had created a "monopoly within the monopoly" through its successful entrance and increasing market share.⁹⁴

PM used its IB, Marlboro, to encourage smokers to switch from domestic brands and to encourage young people to start.⁹⁵ BAT believed the increasing popularity for IBs in Turkey was due to the rapidly expanding population as well as the increased smoking rates in women, due to their "growing liberalisation".⁹⁶ BAT keenly observed the reasons for switching away from Oriental cigarettes were that the shift was an international trend; Turkey was increasingly identifying with Europe, and IBs were being complemented with intensive marketing and an improved distribution systems.⁶¹

Consumption rates increased in relation to the growing popularity of Marlboro, and PM recognised this connection: "Marlboro's performance in Turkey was excellent, more starters less quitters, and more switching into the brand than switching out. This brought a major increase in smoker share". PM also noted the importance of starters and consequently aimed Marlboro at the "important under 25s age group. ... The brand's profile remains considerably younger than the market".⁹⁵

BAT also attempted to attract young smokers, too, by using a lower-priced brand, Pall Mall, which had been available in Turkey since the 1970s and was much cheaper than IBs. The brand hoped to capture "younger consumers (starters and trialists) who seek a rejuvenated local brand offer, with contemporary product and image appeal".⁸⁸ BAT sold cigarettes at bars and discos

and targeted Turkish students.⁹⁷ BAT's Lucky Strike was its equivalent to an IB, and BAT priced and marketed it "towards Turks at 18–24" in hopes of making it "the new 'in' brand".⁶¹

The trend towards light brands grew in popularity in Turkey, especially for women, and PM introduced light cigarettes into Turkey in the early 1990s. PM's consumer research noted the perceptions of those that smoked "light" cigarettes:

"Apart from being female and health conscious, the light smoker is seen as educated and intellectual, relaxed, rational, sportive, modern and trendsetter, not anti-conformist, extrovert, with a determined strong character. He belongs to the upper class, has a high revenue and buys luxury. The light smoker is not distinctively perceived as young, except by light smokers themselves".⁹⁸

PM outperformed BAT in many respects: PM cigarettes were introduced into the market prior to liberalisation and then heavily imported; PM established a firm partnership with local conglomerates, marketed and advertising heavily once the market opened. A recent display of PM's activity in the Turkish market is the use of Turkey as a test site for Marlboro Intense. It's a shorter cigarette adapted for quick coffee breaks but delivers the same amount of nicotine.⁹⁹

BAT and impacts on public health

Despite market failure, BAT continued to undermine public health policies as part of a strategy to create an unregulated market perfect for investment. The policies BAT lobbied against were proven measures to reduce consumption. First, BAT lobbied for the right to import foreign cigarettes, secondly, they lobbied for lower import taxation.^{61–63} 100 Third, they lobbied the government for lower taxes on cigarettes⁶¹ and pressured TEKEL for control over pricing domestically produced cigarettes.^{101–103} Importation and tax, through their relationship with price, are critical components in affecting consumption rates.¹⁰⁴ Finally, BAT and PM lobbied to stop the implementation of the advertising ban,^{105–108} which was unsuccessful and the bill was passed in 1996.¹⁰⁹

The Turkish government has also attempted to alleviate the impacts of increased consumption. Turkey signed the Framework Convention for Tobacco Control (FCTC) in November 2004¹¹⁰ signifying a commitment to tobacco control. The FCTC is an international treaty to control the marketing and selling of tobacco.¹¹⁰ In January 2006, a law banning smoking from public places including restaurants, cafés, malls, offices and all public transportation including taxis was introduced but not passed until January 2008.⁹⁹ This bill also banned television shows from showing actors smoking and mandated 90 min of daily health promotion information.¹¹¹ 112 Moreover, early in 2007, Turkey's Minister of Health established an "Office of Tobacco Control" in order to evaluate tobacco control policies and monitor implementation of the FCTC. In conjunction with the new office, an advisory committee will be established to monitor tobacco issues.¹¹³

Now that TEKEL is potentially being privatised, it is imperative that Turkey reinforces existing tobacco control legislation, such as its ban on smoking in public places and bans on tobacco advertising and sponsorship, in order to curb increasing consumption rates. Evidence shows that following privatisation, advertising and marketing doubles (marketing is unknown where governments sell tobacco), which contributes to increased consumption.¹¹ 12 114–117 Moreover, TTCs use their investment to lobby to overturn tobacco control legislation and lower taxation rates.¹¹⁸ 119 The circumvention of the advertising ban was demonstrated during the first Formula 1 race in Turkey in the summer of 2004. In the lead up to the race, tobacco advertisements and logos were noted in magazines, newspapers and television news stories (personal observation, January 2001 to December 2002) as legislation allows advertisements via international press.¹⁰⁹ By enforcing advertising legislation, the effects of advertising on

luring new smokers may decrease.¹¹⁵ In health terms, Turkey would benefit from raising its tobacco taxation further to decrease consumption, applying the 25% warning to cigarette packages, disclosing ingredients of cigarettes to the public and providing inexpensive cessation measures to smokers as health care is privately funded in Turkey.¹²⁰

CONCLUSIONS

From a public health perspective, BAT's failure in Turkey is not as reassuring as it might appear. Despite market failure, BAT continued to undermine key legislation needed to curb consumption and consumption consequently increased in Turkey.

Lessons directly linked to this analysis tell us that market penetration through investment or privatisation is contingent upon complex factors, and implementation of tobacco control policies may not address issues in this context. While tobacco policies flowing from the FCTC are proven effective in and of themselves, they may not be easily adapted in nations where legislative, judicial and economic systems remain in flux. Moreover, this analysis tells us that oversimplifying the progress of TTCs in transitioning economies is inaccurate and misses differences in economies and government systems and corporate strategy. BAT's initial failure in Turkey was due to misguided corporate strategy and PM's success in the market confirms the detrimental effects of market liberalisation on consumption.¹²¹ There is also no reassurance in the fact that TEKEL was delayed in being privatised, as it is not a demonstration of commitment to tobacco control but a result of domestic legislation and attempts to quell voter unrest. When either of those elements is muted, privatisation will proceed. Turkey could have considered keeping TEKEL within state control, as privatisation of state tobacco monopolies leads to price decreases because of increased marketing, which then increases consumption.¹² Not privatising TEKEL knowingly conflicts with IMF directives to privatise it; however, as the IMF has supported Turkey financially despite directives it imposed in 2001 not fully materialising, this may mean that the IMF allows Turkey leeway in implementing its suggested policies or can do little about national ability to enforce its provisions. Perhaps the new Office for Tobacco Control will have some means to soften the impact of TEKEL's privatisation. Regardless, it is important to pay attention to the context in which this process unfolds as it may impact the implementation of future policies.

What this paper adds

- Analysis tells us that British American Tobacco (BAT) was unable to replicate its market success in Turkey, noted in other transitioning economies.
- Oversimplifying the progress of transnational tobacco companies (TTCs) in transitioning economies is inaccurate, and misses differences in economies, government systems and corporate strategies.

Acknowledgments

The author acknowledges Sherrill Johnson and Anna Gilmore for assistance with drafts of this paper.

Funding: This work was funded by the US National Institute of Health via a project entitled "Globalisation, the tobacco industry and policy influence" (grant number 1 RO1 CA91021-01). SL is currently funded by Royal Holloway, University of London, Thomas Holloway Award.

REFERENCES

1. Connolly GN. Worldwide expansion of transnational tobacco industry. *J Natl Cancer Inst Monogr* 1992;12:29–35. [PubMed: 1616807]

2. Rainer Stebbins K. Tobacco, politics and economics: implications for global health. *Soc Sci Med* 1991;33:1317–1326. [PubMed: 1776045]
3. Warren CW, Riley L, Asma S, et al. Tobacco use among youth: a surveillance report from the Global Youth Tobacco Survey project. *Bull World Health Organ* 2000;78:868–876. [PubMed: 10994259]
4. Chaloupka F, Nair R. International issues in the supply of tobacco: recent changes and implications for alcohol. *Addiction* 2000;95:S477–S489. [PubMed: 11218346]
5. Chaloupka, F.; Corbett, M. Trade policy and tobacco: towards an optimal policy mix. In: Abedian, I.; van der Merwe, R.; Wilkins, N.; Jha, P., editors. *The economics of tobacco control*. Cape Town, South Africa: Applied Fiscal Research Centre; 1998.
6. Bettcher DW, Yach D, Guindon GE. Global trade and health: key linkages and future challenges. *Bull World Health Organ* 2000;78:521–534. [PubMed: 10885181]
7. Food and Agriculture Organization of the United Nations. Projections of tobacco production, consumption and trade to the year. 2010 [accessed 8 August 2004]. <http://www.fao.org/DOCREP/006/Y4956E/y4956e00.htm#Contents>
8. Bettcher, D.; Subramanian, C.; Guindon, E., et al. *Confronting the tobacco epidemic in an era of trade liberalisation*. Geneva, Switzerland: World Health Organization, TFI; 2001.
9. Weisbrot M, Baker D, Kraev E, et al. The scorecard on globalization 1980–2000: its consequences for economic and social well-being. *Int J Health Serv* 2002;32:229–253. [PubMed: 12067030]
10. Sato H, Araki S, Yokoyama K. Influence of monopoly privatization and market liberalization on smoking prevalence in Japan: trends of smoking prevalence in Japan in 1975–1995. *Addiction* 2000;95:1079–1088. [PubMed: 10962772]
11. Gilmore AB, Radu-Loghin C, Zatushevski I, et al. Pushing up smoking incidence: plans for a privatised tobacco industry in Moldova. *Lancet* 2005;365:1354–1359. [PubMed: 15823388]
12. Weissman, R.; White, A. *Needless harm*. Washington, DC, USA: Essential Action; 2002.
13. Shepherd, P. Transnational corporations and the international cigarette industry. In: Newfarmer, R., editor. *Profits, progress and poverty. Case studies of international industries in Latin America*. Notre Dame, Indiana, USA: University of Notre Dame Press; 1985.
14. de Beyer, J.; Yurekli, A. *Curbing the Tobacco Epidemic in Indonesia*. [accessed 9 November 2004]. http://siteresources.worldbank.org/INTINDONESIA/Resources/Human/brief_6-516.pdf
15. Republic of Turkey. Republic of Turkey/Ministry of Health. [accessed May 2003]. <http://www.saglik.gov.tr/eng/>
16. Brookes, NG. Minutes of NBD team meeting. British American Tobacco: 1993 Apr 13 [accessed 10 October 2008]. <http://legacy.library.ucsf.edu/tid/gmk57a99>
17. Demirsar M. Attractive market for investments. *Tob J Int* 2005 March;:103–104.
18. Collin J, Lee K, Gilmore AB. Unlocking the corporate documents of British American Tobacco: an invaluable global resource needs radically improved access. *Lancet* 2004;363:1746–1747. [PubMed: 15172767]
19. Muggli M, LeGresley E, Hurt R. Big tobacco is watching: British American Tobacco's surveillance and information concealment at the Guildford depository. *Lancet* 2004;363:1812–1819. [PubMed: 15172782]
20. LeGresley E. Understanding the tobacco industry: a “vector analysis” of the tobacco epidemic. *Bull Medicus Mundi* 1999;72
21. Malone RE, Balbach ED. Tobacco industry documents: treasure trove or quagmire? *Tob Control* 2000;9:334–338. [PubMed: 10982579]
22. Balbach ED, Gasior RJ, Barbeau EM. Tobacco industry documents: comparing the Minnesota Depository and internet access. *Tob Control* 2002;11:68–72. [PubMed: 11891371]
23. Forster, N. The analysis of company documentation. In: Cassell, C.; Symon, G., editors. *Qualitative methods in organizational research*. London, UK: Sage Publishers; 1994.
24. Bero L. Implications of the tobacco industry documents for public health and policy. *Ann Rev Pub Health* 2003;24:267–288. [PubMed: 12415145]
25. Hill, M. *Archival strategies and techniques*. Vol. vol. 31. London, UK: Sage Publishers; 1993.
26. Yin, R. *Case study research: design and methods*. Vol. 3rd edn.. London, UK: Sage Publications; 2003.

27. Hale, W. Turkish politics and the military. London, UK: Routledge; 1994.
28. Kruegar, A.; Aktan, O. Swimming against the tide: Turkish trade reform in the 1980s. Budapest, Hungary: International Centre for Economic Growth; 1992.
29. Demir F. A failure story: politics and financial liberalization in Turkey, revisiting the revolving door hypothesis. *World Dev* 2004;32:851–869.
30. Pope, N.; Pope, H. Turkey unveiled: a history of modern Turkey. Vol. 2nd edn.. Woodstock, New York, USA: The Overlook Press; 2004.
31. Government of Turkey. Letter of intent to IMF for financial support. <http://www.imf.org/external/NP/LOI/2001/tur/01/INDEX.HTM>
32. Onis, Z. Domestic politics versus global dynamics: towards a political economy of the 2000 and 2001 financial crisis in Turkey. In: Onis, Z.; Rubin, B., editors. *The Turkish economy in crisis*. London, UK: Frank Cass and Co. Ltd; 2003.
33. Munir, M. Corruption notebook. 2004 [accessed May 2004]. Global Integrity Report <http://www.globalintegrity.org/reports/2004/docs/2004/2004Turkey.pdf>
34. Esmer, Y. An investigative report tracking corruption, openness and accountability in 25 countries: Turkey. 2004 [accessed May 2004]. Global Integrity Report <http://www.globalintegrity.org/reports/2004/docs/2004/2004Turkey.pdf>
35. Anonymous. Turkey visit – Notes June 13–15. British American Tobacco: 1988 Jun 15. Bates no. 301622598-604
36. Zurcher, E. Turkey: a modern history. Vol. 3rd edn.. London, UK: IB Tauris; 2005.
37. Karatas C. Privatization in Turkey: implementation, politics of privatization and performance results. *J Int Dev* 2001;13:93–122.
38. Hale, W. Democracy and the party system in Turkey. In: Beeley, B., editor. *Turkish transformation: new century – new challenges*. Huntingdon, UK: The Eothen Press; 2002.
39. Brookes, NG. Note to the Chief Executive Committee. British American Tobacco: 1994 Oct 21. Bates no. 500035175
40. Daloglu, H. Letter to Mr. van Waay. British American Tobacco: 1993 Jul 15. Bates no. 500035286
41. British American Tobacco. Protocol: Tekel/BAT Joint venture 11/08/94. British American Tobacco: 1994. Bates no. 500035230-1
42. British American Tobacco. Meeting at Pekin & Pekin. British American Tobacco: 1996 Jul 17 [accessed 10 October 2008]. <http://BAT.library.ucsf.edu/tid/kht71a99>
43. British American Tobacco. Acquisitions & Business Development Six Month Report 23/1/1996. British American Tobacco: 1996 [accessed November 2004]. <http://bat.library.ucsf.edu/tid/syf60a99>
44. Gajalakshmi, C.; Jha, P.; Ranson, K. Global patterns of smoking and smoking-attributable mortality. In: Jha, P.; Chaloupka, F., editors. *Tobacco control in developing countries*. Oxford, UK: Oxford University Press; 2000.
45. United States Department of Agriculture Foreign Agricultural Service. World cigarette situation. [accessed 11 April 2005]. <http://www.fas.usda.gov/tobacco/circular/1998/9808/Specials.htm>
46. Hammond, R.; Purcell, M. Turkey: a country case study. [accessed 15 June 2003]. <http://www.tobaccofreekids.org/campaign/global/casestudies/turkey.pdf>
47. Balasubramanyan, VN. Foreign direct investment in Turkey. In: Togan, S.; Balasubramanyan, VN., editors. *The economy of Turkey since liberalization*. Oxford, UK: Macmillan Press; 1996.
48. Philip, Morris. EEMA Region Presentation to the Board of Directors of Philip Morris Inc. Philip Morris; 1983 Sept. [accessed March 2005]. <http://tobaccodocuments.org/pm/2023268175-8215.html>
49. Market Tracking International Ltd.. World tobacco file 1998–2001. Vol. 2nd edn.. Market Tracking International Ltd: London, UK; 1998.
50. Davis, N. Construction work for NBD, projects in the CIS. British American Tobacco: 1994 Aug 11 [accessed October 2004]. <http://tobaccodocuments.org/BATco500045343.html>
51. Philip, Morris. Long Range Plan 1990–1992. Philip Morris; 1989 [accessed July 2005]. <http://tobaccodocuments.org/pm/2501479900-2501480052.htm>

52. Philip, Morris. Research and Development 3 Year plan. Philip Morris; 1994 [accessed 21 April 2004]. <http://tobaccodocuments.org/pm/2025447503-7583.html>
53. Downie, J. Sourcing of tobacco for JV. British American Tobacco: 1994 Apr 6 [accessed April 2003]. p. Available at Guildford Depository. Bates No: 203478011-3
54. Downie, J. Turkey JV. British American Tobacco: 1994 Apr 6 [accessed August 2005]. <http://tobaccodocuments.org/BATco/600014355-4362.html>
55. Stuart, C. Turkey Meeting-Millbank. British American Tobacco: 1988 Feb 16. Bates no. 301622628-30
56. British American Tobacco. TTL Group History and Profile. British American Tobacco: 1995. Bates no. 500035078-80
57. Anonymous. BAT seals alliance with Turkish firms, plans \$200 million investment. Turkish Daily News. 2001 June 29;Business
58. van Waay, A. Turkey-Lawyers. British American Tobacco: 1993 [accessed January 2003]. <http://bat.library.ucsf.edu/tid/igf21a99>
59. Gilmore ABC. Tobacco and transition: understanding the impact of transition on tobacco use and control in the former Soviet Union. [accessed 13 October 2008]. <http://repositories.cdlib.org/tc/reports/SovietUnion>
60. British American Tobacco. Turkey visit-notes 13/06/88. British American Tobacco: 1988. Bates no. 301622598-601
61. British American Tobacco. Excise Strategies. British American Tobacco: 1994. Bates no. 500035211
62. Davis, N.; Watterton, D. Turkey joint venture. British American Tobacco: 1990 Jul 27. Bates no. 203475455
63. Peckelhoff, K. Country Competitive Reports. British American Tobacco: 1993 [accessed March 2005]. <http://BAT.library.ucsf.edu/tid/yzm90a99>
64. Bramley, B.; Cannar, N. BATCO-Turkey-Joint Venture – Extract of Minutes of Meeting with Chairman. British American Tobacco: 1988. Bates no. 203475476
65. Davis, N. The Structure of CMMC. British American Tobacco: 1989 Mar 1. Bates no. 203475493-8
66. Cooke, H. Joint venture in Turkey. British American Tobacco: 1994 Dec 14. Bates no. 500035170
67. McDonald, A. Turkey: Privatization versus Joint Venture. British American Tobacco: 1994 Dec 19. Bates no. 500035162
68. Ertuna, O. Constraints of privatization in Turkey. In: Fawzy, S.; Glalad, A., editors. Partners for development: new roles for government and private sector in the Middle East and North Africa. Washington, DC, USA: The World Bank; 1999.
69. Sirtioglu, I. Turkey: Tobacco and Products. 2000 [accessed 11 April 2005]. <http://www.fas.usda.gov/gainfiles/200011/55678702.pdf>
70. van Waay, A. Status Report. British American Tobacco: 1993 Oct 8th [accessed May 2005]. <http://BAT.library.ucsf.edu/tid/ixs70a99>
71. van Waay, A. Turkey. British American Tobacco: 1994. Bates no. 500035273
72. Helder mann, P. Business analysis – Political. British American Tobacco: 1994 Jul 26. Bates no. 500035238
73. Tarhan, D. Letter from Citibank to BAT Industries. British American Tobacco: 1993 Nov 24. Bates no. 203461078-9
74. Honour, H. Note from Heather Honor to Martin Broughton enclosing brief note on Richard Needham. British American Tobacco: 1993 [accessed May 2005]. <http://BAT.library.ucsf.edu/tid/hli21a99>
75. Davis, N. Note to British Embassy. British American Tobacco: 1997. Bates no. 500035274
76. British American Tobacco. BAT-TEKEL Joint venture Company Business Plan. British American Tobacco: 1997 [accessed February 2004]. <http://tobaccodocuments.org/batco/700802608-2631>
77. van Waay, A. Business Development Monthly. British American Tobacco: 1997 [accessed November 2004]. <http://BAT.library.ucsf.edu/tid/otp60a99>
78. van Waay, A. Note to the Tobacco Management Board. British American Tobacco: 1997 [accessed November 2004]. <http://BAT.library.ucsf.edu/tid/qtp60a99>

79. Marshall, A. Future Business Development, British American Tobacco Bulgaria. British American Tobacco: 1999 [accessed November 2004]. <http://BAT.library.ucsf.edu/tid/Iwg61a99>
80. British American Tobacco. Future Business Environment 8/5/2000. British American Tobacco: [accessed 10 October 2008]. <http://bat.library.ucsf.edu/tid/zuv61a99>
81. Gorvett J. No bids for Tekel and tender deadline. *Tob Reporter* 2005;18
82. Colman E. Sale of state run tobacco firms looks to be stubbed out again. *The Times*. 2007 February 7;Consumer goods
83. Pagnamenta R, Erdem S. BAT weighs up bid for Turkey's \$1bn state tobacco group. *The Times*. 2007 January 30;Consumer goods
84. Attwood K. BAT wins auction for Turkey's state tobacco firm with \$1.72bn bid. *The Independent*. 2008 February 23;Business
85. Brookes, N. CEC note: Cigarette production. British American Tobacco: 1994 Oct 21. Bates no. 500035177
86. Philip, Morris. Philip Morris International Three Year Plan 1994–1996. Philip Morris; 1994 [accessed February 2003]. <http://tobaccodocuments.org/pm/2500065216-5375.html>
87. Gembler, A. Board Presentation - Eema (B). Philip Morris; 1991 [accessed June 2004]. <http://tobaccodocuments.org/pm/2500097101-7112.html>
88. Heldermaann, P. Business Analysis Turkey Project. British American Tobacco: 1994 Jul 26. Bates no. 500035234-56
89. Kirke, J. Re: Low Cost tobaccos Note 5/7/93. British American Tobacco: 1993. Bates no. 602752020-4
90. Dimon Incorporated. Tobacco Situation report. British American Tobacco: 1999. Bates no. 523822960-2
91. Philip Morris International. PM International Business Plan 1989 to 1993. Philip Morris; 1989 [accessed date February 2003]. http://tobaccodocuments.org/usc_tim/2500103013-3028.html
92. British American Tobacco. Turkey-Joint Venture. British American Tobacco: 1990 [accessed July 2004]. <http://legacy.library.vcsf.edu/tid/ytq38a99>
93. Onder, Z. Economics of tobacco control. Vol. 72. Washington, DC, USA: The World Bank; 2002.
94. British American Tobacco. Turkey: Suggested Industry requirements in a liberalized market. British American Tobacco: 1988. Bates no. 301622602-4
95. Philip, Morris. Marlboro Market Summaries. Philip Morris; 1991b [accessed 10 October 2008]. <http://tobaccodocuments.org/pm/2501260533-0669.html>
96. British American Tobacco. Turkey Marketing Plan: 1995–2004. British American Tobacco: 1995 [accessed March 2003]. <http://bat.library.ucsf.edu/tid/zhm26a99>
97. British American Tobacco. Market Forecast/Trends -Appendix 1 3/11/94. British American Tobacco: 1994. Bates no. 500035200
98. Philip, Morris. Market research. Philip Morris; 1990 Jul [accessed May 2005]. <http://tobaccodocuments.org/pm/2501131225-1235.pdf>
99. Gokoluk, S. Turks balk at tobacco ban. *The Star*. 2008 Feb 13 [accessed 10 October 2008]. <http://www.thestar.com/print/Article/303079>
100. Davis, G.; Watterton, D. Tobacco Executive Committee. British American Tobacco: 1990 Jul 30. Bates no. 203475452-4
101. Davis, N.; Watterton, D.; Allford, R. Tobacco executive committee. British American Tobacco: 1988 Oct 10. Bates no. 203475505-7
102. Stuart, C. Turkey Pricing. British American Tobacco: 1989. Bates no. 301665142
103. Jaff, K. Fax to Brown and Williamson Europe S A. British American Tobacco: 1991 Jan 16. Bates no. 301665028-31
104. Guindon GE, Tobin S, Yach D. Trends and affordability of cigarette prices: ample room for tax increases and related health gains. *Tob Control* 2002;11:35–43. [PubMed: 11891366]
105. P, M. Ad Ban Proposal. Philip Morris; 1992c Jul 15 [accessed May 2004]. <http://tobaccodocuments.org/pm/2501362209-2212.html>

106. Opukah, S. Re: Ad Ban Threat. British American Tobacco: 1996 [accessed April 2004].
<http://bat.library.ucsf.edu/data/z/a/j/zaj61a99.pdf>
107. Jaff, K. Monthly Marketing Report, Suzer Tarim. British American Tobacco: 1991. Bates no. 301665029
108. British American Tobacco. Media Environment and Restrictions. British American Tobacco: 1994. Bates no. 500035247
109. National Tobacco Information. Online Systems; <http://apps.nccd.cdc.gov/nations/>. Author:
110. Anonymous. Turkish parliament adopts anti-tobacco convention. Beirut Daily Star. 2004 November 27;Business
111. Anonymous. Anti-smoking ban ushers in a new epoch in Turkey. Turkish Daily News. 2006 Mar 5 [accessed 10 October 2008]. <http://www.turkishdailynews.com.tr/article.php?enewsid=37360>
112. Anonymous. Smoking ban passed by commission. Turkish Daily News. 2006 Jan 28 [accessed 10 October 2008]. <http://www.turkishdailynews.com.tr/article.php?enewsid=34314>
113. Erguder, T. Conference presentation of the 3rd general meeting of the Global Alliance Against Chronic Respiratory Disease, Istanbul, Turkey; Turkey: Tobacco Control; 2008 May 30–31 [accessed 13 October 2008]. http://www.who.int/gard/news_events/4_erguder.pdf
114. Chaloupka, F.; Laixuthai, A. US Trade policy and cigarette smoking in Asia. Cambridge, Massachusetts, USA: National Bureau of Economic Research; 1996.
115. Saffer H, Chaloupka F. The effect of tobacco advertising bans on tobacco consumption. *J Health Econ* 2000;19:1117–1137. [PubMed: 11186847]
116. Assunta M, Chapman S. The tobacco industry's accounts of refining indirect tobacco advertising in Malaysia. *Tob Control* 2004;13:ii63–ii70. [PubMed: 15564223]
117. Gilmore A, Pomerleau J, McKee M, et al. Prevalence of smoking in eight countries of the former Soviet Union. Results from the Living Conditions, Lifestyles and Health Study. *Am J Public Health* 2004;94:2177–2184. [PubMed: 15569971]
118. Gilmore AB, Collin J, McKee M. British American Tobacco's erosion of health legislation in Uzbekistan. *BMJ* 2006;332:355–358. [PubMed: 16470061]
119. Gilmore AB, Collin J, Townsend J. Transnational tobacco company influence on taxation policy during privatization: British American Tobacco and Uzbekistan. *Am J Public Health* 2006;97:2001–2009. [PubMed: 17138915]
120. World Health Organization. Tobacco or health in Turkey. Geneva, Switzerland: World Health Organization/Turkish Ministry of Health; 1997. p. 14
121. Taylor, A.; Chaloupka, F.; Guindon, E., et al. The impact of trade liberalization in tobacco consumption. In: Jha, P.; Chaloupka, F., et al., editors. *Tobacco control in developing countries*. Oxford, UK: Oxford University Press; 2000.