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Are transnational tobacco companies' market access strategies linked to economic development models? A case study of South Korea

Sungkyu Lee^{a,*}, Chris Holden^b, and Kelley Lee^{c,d}

^aCenter for Tobacco Control Research and Education, University of California San Francisco, San Francisco, USA

^bDepartment of Social Policy and Social Work, University of York, York, UK

^cFaculty of Health Sciences, Simon Fraser University, Burnaby, Canada

^dCentre on Global Change and Health, London School of Hygiene and Tropical Medicine, London, UK

Abstract

Transnational tobacco companies (TTCs) have used varied strategies to access previously closed markets. Using TTCs' efforts to enter the South Korean market from the late 1980s as a case study, this article asks whether there are common patterns in these strategies that relate to the broader economic development models adopted by targeted countries. An analytical review of the existing literature on TTCs' efforts to access emerging markets was conducted to develop hypotheses relating TTCs' strategies to countries' economic development models. A case study of Korea was then undertaken based on analysis of internal tobacco industry documents. Findings were consistent with the hypothesis that TTCs' strategies in Korea were linked to Korea's export-oriented economic development model and its hostile attitude toward foreign investment. A fuller understanding of TTCs' strategies for expansion globally can be derived by locating them within the economic development models of specific countries or regions. Of foremost importance is the need for governments to carefully balance economic and public health policies when considering liberalisation.

Keywords

tobacco control; transnational tobacco companies; tobacco industry strategies; trade liberalisation; economic development models

Introduction

The World Health Organization (WHO) predicts there will be eight million tobacco-related deaths annually by 2030, with more than 80% occurring in low- and middle-income countries (World Health Organization 2008). An important driver of this tobacco pandemic has been the expansion of transnational tobacco companies (TTCs) into these 'emerging

* Corresponding author. sungkyu.lee@ucsf.edu.

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markets' (Connolly 1992, Rainer 1991). While there is now substantial literature describing TTCs' strategies to gain market access to specific countries (Gilmore and McKee 2004a, Gilmore and McKee 2004b, Lambert *et al.* 2004, Wen *et al.* 2005, MacKenzie *et al.* 2007, Lee *et al.* 2004, Lee *et al.* 2008, Lawrence and Collin 2004, Lee *et al.* 2009, Lee *et al.* 2012), to date there has been limited theorising to explain broad patterns of TTC behaviour across such countries. The existing literature on Asian countries, for example, has tended to focus on one country at a time, including Japan, Thailand, China, Vietnam, and Indonesia. However, there has been little effort to integrate the national-level data into a broader analysis of TTCs' market entry strategies (Holden and Lee 2009).

One notable exception is Shepherd (1985) who describes how the strengthening of tobacco control measures in the US, starting in the 1960s, led US-based tobacco companies to seek new business in emerging markets. These companies' preferred method of market entry was the acquisition of existing domestic companies, determined at least in part by the import substitution industrialisation policies in use in the targeted countries (Shepherd 1985). Shepherd analysed barriers to market entry in the tobacco industry and found that 'consumer preference', which was usually created by advertising and promotion, was the most powerful entry barrier. This explains why TTCs' entrance into new markets was typically accompanied by detailed industry-conducted market research, sophisticated and effective advertising, and promotional activities to change existing consumer preferences (Shepherd 1985). While Shepherd's analysis offers an important conceptualisation of the expansion of US companies into Latin American markets up to the mid 1980s, explaining how TTCs have behaved amid accelerated globalisation since the 1990s has been given little theoretical attention.

On the basis of a review of relevant literature, this paper first seeks to identify and explain patterns in the market entry strategies of TTCs and whether they are related to particular features of the target countries. Building on Shepherd's earlier analysis (1985), and drawing on the ideas set out in Holden and Lee (2009), we hypothesise that TTC market entry strategies have varied depending on the economic development model adopted by the target country. Three specific hypotheses are set out concerning the relationship between TTCs' market entry strategies and the main economic development models in use throughout relevant countries, namely, the import substitution model, the 'East Asian' state-led export-oriented model, and the development model of post-Communist countries.

This paper then applies these hypotheses to South Korea (hereafter Korea), often described as an exemplar of the 'East Asian development model' (Kuznets 1988). The Korean case is of particular relevance as it is one of four Asian countries (along with Japan, Taiwan, and Thailand) that had been pressured under trade negotiations with the US, and initiated by TTCs, to liberalise its tobacco markets during the 1980s (Wen *et al.* 2005). The timing of and similarity between these cases suggest TTCs may have taken a common approach to market opening in the region. We find that TTCs' entry strategies in Korea were largely determined by the 'East Asian development model', which that country typifies. We conclude that a fuller understanding of TTC strategies can be gained by such an analysis, but that more research in this area is needed.

Methods

We began with a comprehensive review of the existing literature on TTCs' efforts to access emerging markets, published up to March 2012, through keyword searches of PubMed using such terms as 'tobacco industry' and 'market expansion'. A comparative analysis of findings from this literature was undertaken to relate the strategies used by TTCs in each country to the economic development model being followed by that country's government at the time.

Broad patterns in market entry strategies across different time periods, geographical regions, or economic systems were then identified. On the basis of this analysis, we developed hypotheses relating TTC strategies to the economic development models.

To explore in depth how the 'East Asian' economic model may relate to TTC market entry strategy and whether this was consistent with our hypothesis for that model, we undertook a case study of an exemplar country: Korea. This analysis began with a keyword search of tobacco industry documents available from the Legacy Tobacco Documents Library (LTDL: www.legacy.library.ucsf.edu). LTDL was searched between January 2009 and October 2011 using keywords such as 'Korea+market open', 'Korea+market access strategy', and 'Korea +liberalisation'. The total number of relevant documents was around 1600. After excluding documents unrelated to the research objectives and duplicate documents, 362 documents were used in this analysis. The documents were organised by date and company, and iteratively reviewed to build a narrative of Korea's tobacco market liberalisation. Then, an analysis of additional primary and secondary sources was utilised to contextualise and triangulate industry documents, including industry publications and websites, tobacco-control materials, media reports from the National Library of Korea, scholarly journals, policy documents, and legislation from the Statutes of the Republic of Korea website.

Results

A comparative analysis of TTCs' market access strategies in relation to economic development models

The existing literature on TTCs' access to new markets confirms that strategies have varied over time and across regions. Three broad phases of TTC expansion into new markets since the 1960s can be discerned, which also correspond to the targeting of particular geographical regions. The first, from the 1960s to the 1980s, saw US-based companies begin an initial exploration of new overseas markets, mainly in Latin America, prompted by a decline in domestic sales (Shepherd 1985) following the US Surgeon General's Report in 1964 on tobacco and health and a move toward tobacco control by the US government (US General Accounting Office 1990, Shepherd 1985, Slade 1992, Honjo and Kawachi 2000, Council on Scientific Affairs 1990, US Department of Health and Human Services 2000).

The second phase dates from the early 1980s, spurred by the remarkable expansion of the world trade system. Driven by economic liberalisation, the emergence of global markets fuelled growth in the size of transnational corporations across many sectors, included tobacco (Gilmore 2005). Mergers and acquisitions enabled corporations to 'go large' to compete more effectively in an increasingly globalised world economy. This resulted in a greater concentration of ownership within many sectors, dominated by fewer and larger players. Within this emerging world economy, TTCs' second phase of global expansion focused on gaining access to increasingly lucrative, but hitherto closed, state monopoly-controlled Asian markets (Honjo and Kawachi 2000, Lambert *et al.* 2004, Wen *et al.* 2005, MacKenzie *et al.* 2007, Lee *et al.* 2012). Population and income growth in these countries added to the lure for a globalising tobacco industry (Gilmore 2005, US Department of Health and Human Services 1992).

The third phase dates from the early 1990s, following the collapse of the Soviet Union. This extended the attention of TTCs to the former Eastern bloc countries, where governments sought market reform through foreign investment, trade liberalisation, and privatisation (Gilmore and McKee 2004c, US Department of Health and Human Services 1992). TTCs expanded rapidly into this region, taking over state monopolies or forming joint ventures to secure market access (Gilmore and McKee 2004a, Gilmore and McKee 2004c).

The existing literature on the regions targeted during these three phases of expansion suggests variation in strategy depending on the economic development model pursued by countries. Most Latin American countries, which were targeted by TTCs from the 1960s onward, had adopted an import substitution industrialisation (ISI) model, a policy whereby a country attempts to reduce dependency on imported goods by supporting local production. Following the transformation of the world economy after the Great Depression of the 1930s, these countries focused on self-sufficiency by developing domestic industries. Key industries in the region were protected against foreign competition by the adoption of high import tariffs and quotas. However, foreign direct investment (FDI) in developing domestic industries was seen as improving productivity and the quality of domestic goods, and was often welcomed by governments in the region (Shepherd 1985, Gilmore 2005).

Following an internal period of conflict and the gaining of independence from colonial rule, many Asian countries similarly opted for an import substitution model in the early stages of industrialisation (Green 2003). However, most Asian countries soon switched to a policy of state-led and export-oriented industrialisation, aimed at achieving economic development through exports (Green 2003, Gereffi 1989). An important factor was the closer alignment by many Asian countries to US foreign policy during this period. Support for US geopolitical strategy, of building a 'containment belt' of capitalist countries around China and other Communist countries, was supported by specific incentives including access to its large domestic market (Green 2003, Stubbs 1999). This encouraged an outward-oriented economic development strategy in many Asian countries, with exports as the engine of growth. Under export-led economic policies, Asian countries adopted protections for selected industries until they were deemed internationally competitive, and strictly controlled FDI and foreign ownership.

Economic development policy in Eastern Europe from the late 1980s can also be understood in relation to shifting geopolitics. Prior to this period, industrialisation in the former Soviet Union (FSU) and its satellite states of Eastern Europe was accomplished via central state planning. Following the end of the Cold War, the newly independent states of the region experienced considerable political and economic turmoil. They faced the challenge of reforming their state-dominated economies by adopting policies of privatisation and liberalisation, often acting on the advice of donor governments or multilateral financial institutions such as the International Monetary Fund (IMF) and the World Bank (Gilmore and McKee 2004c).

Analysing TTCs' market access strategies reveals that these appear to have differed in accordance with the economic development models favoured at that time by the targeted countries. TTCs' strategies in Latin America centred overwhelmingly on acquisition of local tobacco companies, sometimes preceded by licensing agreements and joint ventures (JV) of various kinds (Shepherd 1985, Gilmore 2005, US Department of Health and Human Services 1992). The form that TTC entry to Latin American markets took was largely determined by the import substitution policies pursued by governments, which combined high trade barriers with an uncritical attitude toward foreign investment, and suited TTCs' common preference for FDI (Shepherd 1985).

In contrast, TTCs' attempts to access Asian markets concentrated on political lobbying, since these markets were largely closed to foreign tobacco manufacturers. The literature shows that Japan, Taiwan, Thailand, and Korea were subjected to intense pressure from the US Trade Representative (USTR) as a result of TTC lobbying (Lambert *et al.* 2004, Wen *et al.* 2005, MacKenzie *et al.* 2007, Lee *et al.* 2012, Honjo and Kawachi 2000). These countries opted for a model of state-led and export-oriented industrialisation that was hostile to both foreign ownership and trade liberalisation at the time (Shahid 1989, Lawrence and

Weinstein 1999). However, their close economic and strategic relationship with the US created a degree of dependence on the US that proved significant in the liberalisation of the tobacco trade. Studies of other regions show that political actions by TTCs are by no means restricted to East Asia (Holden and Lee 2009). The actions took a particular form in East Asia, however, where markets were almost entirely closed, hostility to foreign ownership was intense, and the countries' political relationships with the US could be exploited. Our detailed analysis of the Korean case below discusses why the US was able to prise open this market through trade liberalisation, yet TTCs were unable to secure a JV or acquire the domestic tobacco company through FDI.

Although China, Vietnam, and Indonesia also belong to the Asian region, given the different economic development models and political contexts of these countries, TTCs' strategies were different from those adopted elsewhere in Asia and involved a variety of tactics. China and Vietnam were both countries where the Communist Party remained in power and which began very controlled programmes of opening to the world market (Lee *et al.* 2008, Lee *et al.* 2004). In China, the tobacco industry remains highly protected to the present day, although some concessions to TTCs were made as a result of World Trade Organization (WTO) accession (Holden *et al.* 2010). In Indonesia, it appears that the government was highly dependent on foreign aid and investments for industrialisation (Hill 1994).

A common pattern is, however, apparent in the FSU and Eastern Europe. Following the collapse of the Eastern bloc, these governments undertook extensive restructuring of their economies, involving mass privatisation and opening of their economies to foreign investors, often upon the advice of the IMF and other western advisors. TTCs were often able to acquire domestic monopolies in their entirety on very favourable terms (Gilmore and McKee 2004a).

Overall, this review reveals an apparent association between a country's chosen economic development model at a given time and TTCs' strategies to access its market. This relationship can be described in terms of three hypotheses (Box 1). The extent to which they hold can be determined through a detailed analysis of specific countries. We begin that process here with a case study of TTCs' strategies to enter the Korean market in the 1980s and 1990s.

Case study: TTCs' market access strategies in Korea

During the 1980s, the Korean government adhered to a policy of restricted entry for foreign cigarette companies in order to save foreign exchange by not buying imported products or paying royalties, and protecting the domestic tobacco industry from international competition. The government's protection of what was seen as a key national industry, and continuing opposition to foreign investment in the tobacco industry, was in keeping with its overall development model. The Office of Monopoly (OOM) completely controlled cigarette manufacturing, distribution, and sales (Ministry of Finance 1972), and even made it a criminal offense for Korean nationals to sell, buy, possess, or smoke foreign cigarettes (East *et al.* 1985, British American Tobacco 1989, Philip Morris 1988, Ministry of Finance 1972, British American Tobacco 1993).

Consistent with TTCs' apparent preference for market entry through FDI and acquisition, often preceded by JVs or licensing agreements as a first step, a number of companies initially attempted to secure such agreements with the Korean government. In the early 1980s, for example, R. J. Reynolds (RJR) and Philip Morris (PM) both pursued a JV and licensing agreement (Frankel 1996, Korea Times 1985), hiring lobbying agents to meet with senior government officials in Korea to discuss possible commercial ventures (Brown & Williamson 1985). However, a 1989 Philip Morris document titled 'Negotiations with

Korean Monopoly' described the company's continuing unsuccessful efforts to access the Korean market:

1980 PM submits proposal to Korean Monopoly Office (KMO) for a license agreement.

1981 PM resubmits proposal to KMO

1983 PM proposes joint brand with KMO

1984 PM sends Korean Embassy background information on the Marlboro License Agreement with Japan

1985 PM presents joint venture proposed [proposal] to KMO

1986 Letter from PM to Finance Minister of Korea, offering a new joint venture proposal to the KMO (Philip Morris 1989b)

RJR also pursued various strategies including import licensing and a JV (Philip Morris 1989a). However, as with PM, these approaches were generally unsuccessful (Hollings 1985). As the PM document concludes, 'All proposals were ignored or rejected by the Korean government' (Philip Morris 1989a). This finding is consistent with the Korean government's development approach at the time, which was generally resistant to foreign investment, including through JVs or licensing agreements.

The failure of these initial approaches led TTCs to turn to lobbying the US government to exert pressure on the Korean government via trade liberalisation (R. J. Reynolds 1988). Some particular features of Korea favoured the new strategy. First, a number of barriers to foreign participation in the Korean market were in place prior to liberalisation (R. J. Reynolds 1991). Second, the overall trade surplus of Korea with the US reached an unprecedented high by the mid to late 1980s (Philip Morris 1990). The extent of the trade surplus, coupled with the geopolitical reliance of Korea on the protection of the US, provided TTCs with substantial leverage over Korean trade policy. Based on this, TTCs began to raise the issue of 'discriminatory trade restrictions' in the Korean tobacco market with the US Congress and President Ronald Reagan.

In 1981, the big three US-based TTCs, namely, PM, RJR, and British American Tobacco (BAT) subsidiary Brown and Williamson (B&W) formed the US Cigarette Export Association (USCEA) in order to pursue an industry-wide policy on market liberalisation in emerging markets. The USCEA was a not-for-profit corporation designed to improve the competitive position of US-produced cigarettes in foreign markets. The core role of the USCEA was to offer market information on the targeted countries to US government officials during trade negotiations and to lobby for the interests of the US tobacco companies (US General Accounting Office 1990, Frankel 1996, US Department of Health and Human Services 2000). During the mid to late 1980s, the USCEA actively worked on the Korean case as a collective representative of the US-based TTCs. The association frequently met with US government officials to argue alleged discriminatory practices by the Korean government (US General Accounting Office 1990). In doing so, the USCEA was extremely successful in recruiting the US government to its cause.

Both PM and B&W also set out to lobby the US government directly. PM's Chief Executive Officer, for example, talked to Vice President Bush about the Korean market during a meeting in January 1985 (Snyder 1985). For B&W, the company's Senior Vice President and General Counsel, Ernest Pepples, liaised with US Congressman Tom Bliley from Virginia, where PM headquarters was located, to organise the sending of 'letters protesting Korea's discriminatory treatment of imported cigarettes' (Pepples 1985).

A number of congressmen agreed to raise the issue with US government officials, including President Reagan (Pepples 1985). Congressman Carroll A. Campbell Jr., for example, sent a letter directly to the President saying:

Given the liberal trade benefits Korea receives from the United States, the irony of this situation is self-evident. The US enjoys a substantially favourable worldwide balance of trade in tobacco and tobacco products. However, Korea is one of only a handful of countries where the opposite is true. I believe this issue needs to be addressed, and I would appreciate your assistance in raising this problem with President Chun Doo Hwan (Campbell 1985).

Senator Mitch McConnell also played a key role in persuading 10 senators to send protest letters to President Reagan emphasising that the issue of Korea's discriminatory barriers against US cigarettes had to be the priority issue on the list of trade matters to be discussed when the two presidents met in Washington in April 1985 (East *et al.* 1985).

While B&W sought support from US government officials, PM and RJR lined up strong teams of lobbyists to exert direct pressure on the Korean government. RJR hired Richard Allen, a former national security director; PM contacted Michelle Laxalt, daughter of Senator Paul Laxalt and close friend of President Reagan, and also contacted Michael Deaver, a former presidential deputy chief of staff (The Economist 1988).

In July 1985, Michael Deaver, asking PM to pay him US\$150,000 for lobbying President Chun, flew to Seoul (Anonymous 1987). In a 75-minute meeting with high-level Korean officials and President Chun, Deaver argued a classic case of 'you scratch my back, I'll scratch yours'. By citing the protectionist textile bill (Hudgins 1985), which was introduced by US Representative Ed Jenkins of Georgia as a negotiation card, Deaver told President Chun that 'the tobacco issue was tied to the Korean textile exports to US' (Brown 1988). When Chun complained about the textile bill, Deaver said that he would help Korea on the textile bill in return for assistance from President Chun on opening the tobacco market. Key senators who agreed to the textile bill were from tobacco-growing states. When a senior adviser of the Chun Administration subsequently requested Deaver's help on the Jenkins bill, Deaver agreed, stating: 'If you help me on the tobacco access issue, I will help you in [textiles]' (Brown 1988, Schmeissr 1988). In doing so, Michael Deaver also became a lobbyist for the Korean government, signing a three-year contract for US\$475,000 to try to influence White House decisions on Korean matters (Kim 1986).

The US was Korea's largest trading partner, absorbing approximately 40% of total exports worth about US\$27 billion by the mid 1980s (Coburn 1988). US threats to restrict textile exports, which alongside cars constituted Korea's top export, was a prospect that the Chun regime could not ignore. After careful consideration, the Korean government conceded that the OOM would regularly buy a fixed amount (1% of the total market) of US-manufactured cigarettes from July 1986 (Bureau of National Affairs 1988). Based on the agreement, the government removed its ban on the public sale of imported cigarettes so that Koreans could buy foreign cigarettes (McCarroll 1986).

Although the US-based TTCs had now gained a small foothold in the Korean market, companies continued to complain of tariff and non-tariff barriers (British American Tobacco 1989). Moreover, despite the agreement to allow access to 1% of the market, imported cigarette sales at the retail level, in fact, accounted only for 0.06% of the total market in the first year of limited liberalisation (British American Tobacco 1989). TTCs alleged that this was due to continued discriminatory trade practices by the state-run corporation, Korea Monopoly Corporation (KOMOCO) (Bureau of National Affairs 1988). In this context, the US government again pressed the Korean government for further market opening, including:

allowing private companies to import and sell foreign cigarettes, removing the remaining tariff on imported cigarettes, and permitting all forms of cigarette advertisement (Cheong 1999). In response to this request, the Korean government agreed to seek an acceptable agreement on tobacco market liberalisation by the end of 1987 and, to achieve the agreement, both governments' officials met four times in 1987 and again in January 1988 (Song 2009).

A number of US Senators from tobacco-producing states once again pursued the issue of market access. Senator John Warner (Republican, Virginia) took a keen interest in the talks between the two governments, writing several letters to President Chun and the US Ambassador to Korea urging the removal of all remaining barriers to Korea's tobacco market (Philip Morris 1988). In addition, he warned the Korean government that he would support a Section 301 petition (which allows the USTR to initiate an investigation of the trade practices of another country) if talks between the two countries broke down (Philip Morris 1988, Song 2009). Similarly, Senator Jesse Helms from North Carolina wrote a letter to President Chun co-signed by 19 US Senators threatening that 'failure to reach an agreement promptly on removing barriers to cigarette imports could seriously erode the trade relations between the US and Korea' (Babington 1989).

Although there were five meetings between Korea and the US in 1987 and 1988, in an attempt to resolve the tobacco issue, agreement failed to be reached. The USCEA subsequently filed a petition to the USTR requesting assistance in overcoming the Korean government's restrictions under Section 301 (US General Accounting Office 1990, British American Tobacco 1988b, US Department of Health and Human Services 2000). This process gave the USTR 45 days to decide whether to initiate a formal investigation of the alleged trade barriers.

Once notified of this development, and to avoid a USTR investigation, Korean officials flew to Washington and met US officials in February 1988. Once again, dependence by Korea on the US as its largest trading partner and military ally led the Korean government to agree to take action. During the meetings, the Korean government offered to cut the retail prices of imported cigarettes from between 1400 won (about US\$1.75) and 1600 won (about US\$2.00), to 820 won (about US\$1.00) in February 1988 and then to 700 won (about US\$0.80) in 1989, by cutting the rate of duty. However, the USTR countered the move by requesting an immediate action to lower the price to 700 won for all imports (British American Tobacco 1988b). With negotiations unsuccessful, on 16 February 1988, the USTR initiated an investigation and requested consultations with the Korean government under Section 301. The USTR then aggressively acted on the Section 301 petition, and on 27 May 1988, Korea and the US finally signed a Record of Understanding, providing open, nondiscriminatory access by US tobacco companies to the Korean market. (British American Tobacco 1988a, US General Accounting Office 1990).

Discussion and conclusions

Comparative analysis of the literature on TTC market entry strategies allows the identification of links to the economic development models adopted by targeted countries during specific periods. Detailed analysis of the Korean case indicates that it is consistent with our hypothesis regarding the expected relationship between TTC market entry strategies and countries adopting the 'East Asian' (i.e., state-led and export-oriented) development model (see Box 1). Initial attempts by TTCs to establish JVs or licensing agreements with the Korean government were rebuffed, leaving them to pursue a strategy of trade liberalisation through political pressure exerted by the US government. This strategy proved successful given Korea's economic and geopolitical dependence on the US. Despite

the Korean government's resistance to liberalisation of its tobacco market, it was prepared to open it to protect its main exports, such as cars and textiles. Hostility to foreign ownership remained, however. Even when the Korean monopoly was subsequently privatised following the Asian economic crisis of 1997, foreign ownership was severely restricted (Ministry of Finance 1997). Although concessions had to be made, giving access to foreign cigarette imports, the domestic company could at least be retained in Korean hands and developed as a company capable of competing with foreign companies, both in Korea and ultimately in the wider world market. This is in keeping with the principles of the Korean emphasis at the time on development through exports.

Similar to the method used with Korea, TTCs employed the power of the USTR to press for liberalisation of the Thai, Taiwanese, and Japanese tobacco markets. Although Thailand also adopted the export-oriented development model, the Thai government rejected a trade agreement with the US government (MacKenzie *et al.* 2007). The earlier emergence of a tobacco-control movement in Thailand (Vateesatokit *et al.* 2000) and, arguably, a different geopolitical relationship to the US led to a different outcome for the other Asian countries pressured by the USTR at this time. However, the USTR responded to this by referring the Thai case to the General Agreement on Tariffs and Trade (GATT), the forerunner of the World Trade Organization (WTO), for dispute settlement. As a result, the Thai import ban was lifted (Chantornvong and McCargo 2001). The GATT dispute mechanism thus provided an effective channel for the US to pursue its case for market opening. The case is significant as the forerunner of later disputes initiated within the WTO, including those of Indonesia vs. US over the US flavoured-tobacco ban and the current case against the Australian government over its plain-packaging regulations.

This article has attempted to identify and explain broader patterns in the market entry strategies of TTCs. This is a significant advance on previous work in that whilst a number of authors have conducted rigorous research on various countries and regions, no attempt has previously been made to identify patterns of TTC behaviour and relate them across countries to their economic development models. Nevertheless, we have applied these ideas in depth only to the Korean case and more work is needed to test our hypotheses further and to develop our understanding of the relationships between TTCs' strategies and governments' economic policies.

If TTCs' market entry strategies are determined at least in part by governments' economic development policies, this should make it easier to predict their tactics in the future. This in turn should help governments in low- and middle-income countries to plan their economic development and public health policies in a more coherent and holistic way, giving sufficient weight to public health considerations. In the Korean case, the government first attempted to protect its tobacco industry for economic reasons and then similarly succumbed to pressure by the US government for liberalisation due to concerns about the economic consequences of resistance. A more balanced consideration of both economic development and public health policy goals, and the links between them, is needed both by governments in emerging markets facing demands for access to their tobacco markets and by governments in TTCs' 'home' countries. This is particularly important in a period when, with the stalling of the World Trade Organisation's Doha round of negotiations, bilateral trade and investment agreements between countries with sometimes wide differences in economic and political power are becoming increasingly important. One suggestion is for tobacco to be exempted from current and future trade and investment agreements. Until and unless that happens, governments should approach such negotiations cautiously in order to ensure proper protections for public health, including by involving health experts in the formulation and negotiation of trade and investment agreements.

The WHO Framework Convention on Tobacco Control (FCTC) also requires further reinforcement given the global nature of the tobacco pandemic. The treaty offers a unique and valuable framework for enabling collective action across countries to tackle the significant, and growing, public health threat from tobacco use worldwide. However, the current FCTC is focused predominantly on demand-side measures, contains no provisions relating to TTC investments in low- and middle-income countries, and makes minimal reference to the links between trade and tobacco. The results of this study suggest that TTCs can resort to a range of strategies, including JVs, licensing agreements, foreign investment, and trade liberalisation, to gain access to low- and middle-income countries. These issues need further investigation in order to develop a fuller understanding of the supply-side aspects of the tobacco pandemic and how governments and international institutions should approach them

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Box 1: Patterns of TTCs' market access strategies

- To gain access to countries adopting the import substitution industrialisation model, TTCs have acquired local tobacco companies, preceded or accompanied by tobacco leaf development, local production, licensing, manufacturing, and joint venture agreements.
- To gain access to the countries adopting a state-led and export-oriented industrialisation model, TTCs have used political power to impact governments' decisions and exert pressure for trade liberalisation.
- To gain access to the former Communist countries seeking reconstruction and development of their economies, TTCs have used foreign direct investment and the acquisition of local companies as the main strategy.