

# China

Overall score:

77

## Summary of Findings

### 1. Industry participation in policy development

Policy on cigarette packaging is specifically entrusted to State Tobacco Monopoly Administration (STMA) by the "Law of the People's Republic of China on Tobacco Monopoly." In 2016, STMA and General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) jointly issued the "Rules on Cigarette Package Labeling in the Jurisdiction of the People's Republic of China." The interference of the tobacco industry led to the stalling of the passage of the National Smoke-Free law.

There are no pictorial warnings; only minor changes to the text warning such as the font size and color of the text warnings.

In 2014, the representatives from STMA and the China National Tobacco Corporation (CNTC) joined the Sixth Session of the Conference of the Parties to the WHO Framework Convention on Tobacco Control (FCTC) in Moscow, Russia. At COP8 China's delegation included representatives from an "Inter-Ministerial Coordination Leading Group on the Implementation of the FCTC," and the tobacco representatives participated in the naming of the group members.

In 2019, STMA's leading role in cigarette packaging policymaking remains unchanged. STMA publicly reaffirmed that it exercised its power to make anti-smuggling and cigarette pack policies mandated by law. STMA also confirmed that they have been deeply involved in most of the FCTC compliance works in China. At a local level, in the revised "Regulations on Smoking Control in Shenzhen Special Economic Zone,"

Shenzhen Tobacco Monopoly Bureau was listed as a member unit of "the joint meeting on tobacco control" mechanism.

### 2. Industry CSR activities

The tobacco industry has a long history of conducting CSR activities in China. On the STMA website, "Public Welfare" appears as a special section. It can be concluded that the industry is very active in CSR in poverty alleviation, environmental protection, education (student aid) and disasters relief.

The National Bureau issued a guiding opinion on the creation of a civilized smoking environment to help "beautiful China" construction through three steps in the next five years to satisfy the government and people with the positive influence of a civilized smoking environment.

In 2019, the tobacco industry's CSR activities still focused on poverty alleviation, educational aid and environmental protection. New evidence on "civilized smoking" has been decreased compared to the previous years, which mainly happened in Yunnan, Gansu and Jiangxi provinces. There is also considerable evidence that the tobacco industry is taking the lead to prohibit selling e-cigarettes to minors.

### 3. Benefits to the industry

There is no national-level smoke-free law and health warnings on tobacco packs remain text-only warnings.

In 2017, the Ministry of Agriculture and the Ministry of Finance jointly issued the "2017 Key Policies on Strengthening Farmers and Benefiting Agriculture" which enabled the STMA and CNTC to implement its own subsidy policies targeting local farmers and tobacco planting, agricultural machinery purchases, technical training and

tobacco loans. The Office of the STMA implemented the Special Subsidy Policy for Tobacco Leaf Reduction Areas. This subsidy policy is granted as a poverty alleviation subsidy. It is distributed by the Department of Civil Affairs, directly to tobacco farmers.

International travelers can bring 400 cigarette sticks, or 100 individual cigars or 500 grams of smoking tobacco into Beijing.

#### 4. Unnecessary interaction

National-level leaders in the past, such as President, Chairman of National People's Congress, Chairman of National People's Political Consultative Conference have shown support for the development of the Chinese tobacco industry and have visited various Chinese tobacco companies to inspect the situation.

One of the main obligations for STMA and CNTC is to conduct raids on smuggling and counterfeit cigarettes, as well as supervise sales to minors. To fulfil such duties, STMA needs to collaborate with other government departments, especially customs, as well as Ministry of Public Security and industrial and commercial administration.

Several MOUs have been signed that bring the tobacco industry to work with various government departments such as, the Ministry of Agriculture to investigate in Hunan Xiangxi Poverty Alleviation point by Provincial Tobacco Bureau (Company), the Fujian Provincial Tobacco Bureau and the Provincial Public Security Department on the "Four Mechanisms" to Combat Economic Crimes.

#### 5. Transparency

The draft of the "Regulations on Smoking Control in Public Places" solicited opinions from stakeholders including the tobacco industry, resulting in excessive changes in the content of the final draft in 2016, which did not meet the requirements of the FCTC. The specific details of these requests for comments were not publicized, and no tobacco control experts were invited to attend any discussion meetings.

#### 6. Conflict of interest

No information could be found although Zhang Jianmin, director of STMA, was a member of the Standing Committee and Party Committee of the Inner Mongolia Autonomous Region, also the executive Vice President of the Autonomous Region, Deputy Secretary of the Party Group of the Government and the Dean of the Inner Mongolia School of Administration.

STMA is a governmental department with the same team of CNTC. The tobacco industry's "familial corruption" is generally recognized by the public. Many bureaucratic public officials will not be opposed to their families and relatives working in the tobacco industry as it provides a great source of stability career-wise.

In 2016, the anti-corruption campaign by the central government (Central Inspection Team) has been conducted within the tobacco industry, which results in a series of internal educations, movements and disciplinary actions that are alleged to reduce the corruption.

In November 2019, the former Deputy Director of STMA Zhao Hongshun was charged with bribe-taking with a total value over RMB 90.32 million. In May of the same year, the former director of the Yunnan Provincial Tobacco Monopoly Bureau Yu Yundong was sentenced to 13 years, accused of bribery with a value of over RMB 9 million.

Although the two cases did not reveal many details that can be precisely categorized into any question of this Index, it can be concluded that conflicts of interest between the tobacco system and other government departments still commonly exist in China.

#### 7. Preventive measures

From the perspective of anti-corruption, there are provisions prohibiting the acceptance of funds or gifts, and it is mainly conducted within the tobacco system (both the government and the companies).

There is no known program to increase awareness of FCTC Article 5.3 among government departments.

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## Recommendations

In China, the Tobacco Monopoly Law provides a legal basis for the tobacco industry to directly intervene in tobacco control policy formulation, as well as the "unified leadership, vertical management, monopoly of sales" mechanism conducted by STMA and CNTC. The government directly runs the tobacco industry, which results in the endogenous "conflicts of interest," coupled with the characteristics of the high-profit of the tobacco industry, making it extraordinarily difficult for China to implement Article 5.3 of the FCTC.

In 2019, STMA publicly emphasized its participation and the importance of its role in FCTC implementation at least two times (see Q1 and Q2). This reveals that the tobacco industry is now gradually shaping its active roles in tobacco control, and trying to change the public's old perception that the tobacco industry cannot interfere with tobacco control. On the other hand, it also shows the impact of changes of the international environment. As the globalization process slows down, conflicts and confrontations between countries become more acute, the authority and binding power of the FCTC in the public's mind is likely to weaken.

According to the updated information of TII Index of China, the following recommendations are made on how to effectively respond to and reduce tobacco industry interventions:

1. Strengthen cooperation with organizations such as the research institutions of Tsinghua University, to explore research and advocacy perspectives that are more in line with the current political and economic environment to reduce tobacco industry intervention.
2. Consider further research on the impact of the CNTC's CSR activities, for instance, on the behavior and cognition of the subsidized students. The current CSR activities that are conducted by CNTC remain a strong touch of bureaucracy.

At the first sight, many of them are guided by national policies (such as poverty alleviation) rather than commercial motivations. The following effects of such activities can be more indirect and permanent, often not entirely the same with those of the western tobacco giants.

3. The amount of evidence on the construction of a "civilized smoking environment" has decreased in 2019. However, it can be seen from the official statements that civilized smoking is still one of the tobacco industry's policy priorities. It is recommended to continue to monitor relevant progress, and to expose representative cases when necessary.
4. Continually pay close attention to the development of the domestic e-cigarette market, and give timely and full exposure to the violations. In 2019, 35 e-cigarette brands in China received financing in the first three quarters of 2019, with a total amount of more than RMB 1 billion.<sup>1</sup> However, in November 2019, the STMA and the State Administration for Market Regulation (SAMR) jointly issued the Notice on Further Protecting Minors from Electronic Cigarettes (STMA, SAMR Circular No. 1, 2019), which stipulates that all types of market entities shall not sell electronic cigarettes to minors. It is also required that electronic cigarette production and sales enterprises or individuals shall not sell electronic cigarettes online. This leads to the rapid cooling of the domestic e-cigarette market. COVID-19 casts more uncertainty to the market in 2020. However, manufacturers will not easily abandon this market with huge potential, and various signs show the possibility of e-cig resurging.<sup>2</sup>
5. Increase the supervision of China Tobacco International (HK), focusing on its operations globally, especially the establishment of overseas sales networks for new products (e.g. heat-not-burn tobacco product), as well as the interaction and cooperation between China Tobacco International, local governments and other transnational tobacco companies.

<sup>1</sup> <http://finance.sina.com.cn/stock/relnews/us/2019-08-12/doc-ihytcitm8717479.shtml> "2019 e-cigarette financing overview", *sina.com*, 2019-08-12

<sup>2</sup> <http://www.bjnews.com.cn/finance/2020/06/11/737235.html> "Electronic cigarettes make a comeback", *The Beijing News*, 2020-06-11.