SOUTH KOREA

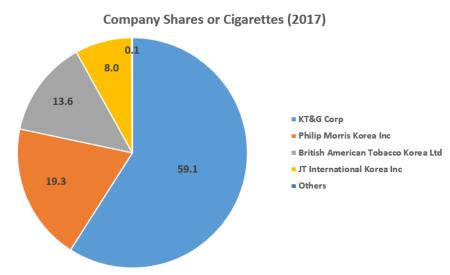
TOBACCO
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Background and Introduction

Tobacco industry interference remains to be a big challenge despite efforts of the government to implement its national tobacco control policies and of WHO's Framework Convention on Tobacco Control (FCTC) Article 5.3 guidelines. Between 2018 and 2019, there has been no recorded progress in addressing concerns in the Tobacco Business Act as well as implementing tobacco control measures in accordance with Article 5.3 and its guidelines. South Korea has garnered a total score of 56 this year, making no remarkable progress from its last year's tobacco industry interference index score of 50.

In 2019, South Korea has seen a drop in sales of combustible cigarettes.¹ This is attributed to efforts of the government to increase tobacco prices and graphic health warnings on cigarette boxes. However, despite anti-smoking campaigns, both by government and civil society, high tobacco smoking prevalence was still observed among South Korean particularly with emergence of electronic nicotine delivery systems (ENDs) and heated tobacco products (HTPs).² Public education and awareness on the harmful effects of tobacco products remain lacking and insufficient. Moreover, tobacco control and regulation, while exists, remain poorly enforced. There is no comprehensive ban on tobacco and other HTP advertising, promotion, or sponsorship (i.e. visibility of tobacco products at points of sales, retail shops around schools).

Founded in 1987, Korea Tomorrow & Global Corporation (formerly known as Korea Tobacco & Ginseng) remains to be the leading tobacco manufacturing company, holding almost 63.1% of market share, in South Korea.³ Globally, KT&G



Corporation is the seventh world's largest tobacco company with almost \$ 4.1 billion net sales in 2019. It carries cigarette brands such as *PINE*, *The One, Indigo, Arirang, This, This Plus, Zest, Raison, and Lo Crux.* KT&G is also famous for its international steady seller *Esse* which is specifically targeted towards women. KT&G was previously established as a government-controlled monopoly until it was privatized in 2002. It is currently boosting its sales abroad, particularly in Indonesia Turkey, Russia, and Iran. KT&G controls over 63% of market share in Korea.

¹ Tobacco Reporter (24 January 2020). Korea sales down. Accessed last 30 March 2020 from https://tobaccoreporter.com/2020/01/24/korea-sales-down/

² Rebekah Gunter, Edwin Szeto, Se-Hoon Jeong, Sooyeon (Aly) Suh, and Andrew J. Waters (2020). Cigarette Smoking in South Korea: A Narrative Review. Accessed last 30 March 2020 from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6987030/

³ KT & G, cigarette-type tobacco market share surges ... Limited edition, new product effects ... 63% in 10 years. Accessed last 8 May 2020 from https://n.news.naver.com/article/016/0001533378?lfrom=kakao

⁴ Statista. Leading tobacco companies worldwide in 2019, based on net sales (in billion U.S. dollars). Accessed last 30 March 2020 from https://www.statista.com/statistics/259204/leading-10-tobacco-companies-worldwide-based-on-net-sales/

⁵ Nikkei Asian Review. KT&G Corp. Accessed last 30 March 2020 from https://asia.nikkei.com/Companies/KT-G-Corp

Apart from its traditional tobacco products, KT&G also ventured and focused its attention into promotion of 'smoke-free alternatives', making South Korea as the world's second largest tobacco market for HTPs next to Japan. A total of three HTPs, such as Philip Morris' IQOS, British American Tobacco's Glo and KT&G's lil are now publicly available in South Korea. KT&G recently entered a collaboration with Philip Morris International to deliver and commercialize its heated tobacco and hybrid products outside of South Korea.

Throughout 2019, the South Korean government, through the Ministry of Food and Drug Safety, continued to contend against a lawsuit filed by Philip Morris Korea Inc. in 2018 over the disclosure of information on its research on harmful substances found in its HTPs. The ministry said that this lawsuit is part of Philip Morris's marketing strategy to further promote its HTP brand. ⁸

KT&G, among other tobacco companies in South Korea, continue to influence public health policy making through its active lobbying efforts and corporate social responsibility activities. Since 2003, KT&G's corporate social responsibility arm, KT&G Welfare Foundation, continues to conduct its so-called public interest projects and provide welfare services among senior citizens, students, children, and immigrants.

This report monitors efforts and progress of the South Korean government in regard to implementing the WHO's FCTC Article 5.3 and its Guidelines. This report also aims to define the measures and elements that contribute to the ability of the tobacco industry to interfere with public health policy making. The time period covered in this report is from January 2019 until December 2019. South Korea is a Party to the WHO FCTC since August 14 2005.

⁶ Euromonitor International. Tobacco in South Korea. Accessed last 30 March 2020 from https://www.euromonitor.com/tobacco-in-south-korea/report

⁷ Philip Morris International. PMI confirms deal to distribute KT&G's smoke-free products globally, to accelerate the achievement of a smoke-free world. Accessed last 30 March 2020 from https://www.pmi.com/media-center/news/pmi-deal-to-distribute-kt-and-g-smoke-free-products-globally

⁸ The Korea Herald (26 Nov 2018). Korea counters Philip Morris' info disclosure lawsuit. Accessed last 1 April 2020 from http://www.koreaherald.com/view.php?ud=20181126000193

⁹ Article 5.3 Guidelines: http://apps.who.int/iris/bitstream/10665/80510/1/9789241505185 eng.pdf?ua=1

Summary of Findings

1. INDUSTRY PARTICIPATION IN POLICY DEVELOPMENT (Score: 3/20)

There is no publicly available information on the government accepting or endorsing any offer of assistance from the tobacco industry in setting public health policy. The government has a multisectoral national tobacco control strategy, focal point for tobacco control, and national coordinating mechanism for tobacco control. Throughout the year, the South Korean government, through the Ministry of Food and Drug Safety, continued to contend against a lawsuit filed by Philip Morris Korea Inc. in 2018 over the disclosure of information on its research on cancer-causing substances found in its HTPs. Current lawsuit is still ongoing this year.

2. INDUSTRY CSR ACTIVITIES (Score: 5/5)

In 2019, KT&G continued to conduct its corporate social responsibility activities in relation to public interest and youth smoking prevention. It has organized a number of activities that involved volunteers service to support low-income families nationwide. This program was attended by Chenoa City Hall officials and various social welfare organizations. KT&G also recently supported the reconstruction of the regional library in Goseong-gun, Gangwon-do, which was severely damaged by a large forest fire.

3. BENEFITS TO THE INDUSTRY (Score: 8/10)

While there no new laws in regard to tobacco control were introduced in 2019, policies on display of tobacco products at points of sales, tobacco sponsorship, and cross-border advertising originating from the country still remain non-existent. Despite several tobacco tax reforms, Korea still has one of the highest smoking prevalence rates and also the lowest cigarette price. Moreover, despite smoking bans and restrictions on electronic cigarettes, the government permitted US-based company Juul Labs Inc. to enter and establish its local subsidiary in South Korea. Juul Labs Korea filed a trademark application with the Korean Intellectual Property Office and are allowed to market electronic cigarettes with nicotine levels up to two percent.

4. UNNECESSARY INTERACTION (Score: 5/15)

In 2019, KT&G was certified as an excellent organization for cultural and arts sponsorship by the Ministry of Culture, Sports and Tourism for the creation of a cultural ecosystem where artists and the public can freely interact and enjoy. KT&G CEO Baek Bok-in received a certificate of excellent sponsorship for culture and arts at the 2019 ARKO Art Sponsor Night.

5. TRANSPARENCY (Score: 10/10)

No rules exist requiring government officials to disclose meetings and interactions with the tobacco industry to the public.

6. CONFLICT OF INTEREST (Score: 7/15)

The South Korean Code of Conduct for Public Officials prohibits current government officials to hold positions in other business. Government officials are also strictly prohibited in accepting any form of monetary or non-monetary contributions from tobacco industry or any entity.

7. PREVENTIVE MEASURES (Score: 18/25)

There is no existing transparency or preventive measure system to disclose and record interaction with tobacco industry and its representatives in South Korea. There is also no concrete and systematic plan to raise awareness within government departments on policies relating to FCTC Article 5.3 Guidelines in South Korea.

However, in 2019, Health Minister Park Neung-hoo issued a strong warning on the use of liquid-type electronic cigarettes over health concerns, drawing public attention to the different popular brands available in the country. ¹⁰ Moreover, South Korea's Ministry of Food and Drug Safety tightened its security and import measures, halting the general public from purchasing electronic cigarettes and liquid nicotine after a series of vaping-associated deaths in the US. ¹¹

Recommendations

- Develop a comprehensive and time-bound national strategy plan to raise awareness on and curb tobacco consumption and tobacco industry interference in public health policy making;
- 2. Cascade and mainstream WHO FCTC Article 5.3 and its Guidelines within and among government departments involved in planning and monitoring of tobacco control policies;
- 3. Strictly ban tobacco industry marketing and promotional activities, directly through its so-called CSR activities or indirectly through its affiliates;
- 4. Expose harmful effects of and ban consumption of ENDs and HTPs;
- 5. Require the tobacco industry to submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and lobbying activities.
- 6. Increase prices and excise tax on tobacco products, including ENDs and HTPs, to further reduce smoking prevalence and improve public health.

¹⁰ The Korea Herald (23 October 2019). What kinds of liquid-type e-cigs are sold in Korea? Accessed last 01 April 2020 from http://www.koreaherald.com/view.php?ud=20191023000778&ACE_SEARCH=1

¹¹ Tobacco Reporter (13 December 2019). South Korea Maintains E-cigarette Advisory. Accessed last 30 March 2020 from https://tobaccoreporter.com/2019/12/13/advisory-maintained/

Results and Findings

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INDICATOR 1: Level of Industry Participation in Policy-Development

1. The government¹² accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry¹³ in setting or implementing public health policies in relation to tobacco control¹⁴ (Rec 3.1)

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There is no publicly available information on the government accepting or endorsing any offer of assistance from the tobacco industry in setting public health policy.

The government accepts, supports or endorses <u>policies or legislation drafted</u> by or in collaboration with the tobacco industry. (Rec 3.4)

There were no reports on this issue. The government has a multisectoral national tobacco control strategy, focal point for tobacco control, and national coordinating mechanism for tobacco control. ¹⁵ The tobacco industry is not represented in the committee.

Throughout 2019, the South Korean government, through the Ministry of Food and Drug Safety, continued to contend against a lawsuit filed by Philip Morris Korea Inc. in 2018 over the disclosure of information on its research on cancer-causing substances found in its HTPs. ¹⁶ The ministry said that this lawsuit is part of Philip Morris's marketing strategy to further promote its HTP brand. ¹⁷ Philip Morris International argued that lack of information deters smokers from switching to alternatives. ¹⁸ Current lawsuit is still ongoing this year.

3. The government allows/invites the tobacco industry to sit in government interagency/ multi-sectoral committee/ advisory group body that sets public health policy. (Rec 4.8)

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There were no reports on the government allowing or inviting any tobacco industry/manufacturer to sit in any public health policy making bodies.

4. The government nominates or allows representatives from the tobacco industry (including State-owned) in the delegation to the

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¹² The term "government" refers to any public official whether or not acting within the scope of authority as long as cloaked with such authority or holding out to another as having such authority

¹³ The term, "tobacco industry' includes those representing its interests or working to further its interests, including the State-owned tobacco industry.

^{14 &}quot;Offer of assistance" may include draft legislation, technical input, recommendations, oversees study tour

¹⁵ WHO FCTC. Republic of Korea 2018. Accessed last 30 March 2020 from https://untobaccocontrol.org/impldb/republic-of-korea/

¹⁶ Philip Morris sues South Korea over e-cigarette info disclosure. Accessed last 31 March 2020 from https://www.reuters.com/article/us-southkorea-philipmorris-idUSKCN1MB2KR

¹⁷ The Korea Herald (26 Nov 2018). Korea counters Philip Morris' info disclosure lawsuit. Accessed last 1 April 2020 from http://www.koreaherald.com/view.php?ud=20181126000193

¹⁸ The Korea Herald (21 August 2019). Lack of information deters smokers from switching to alternatives: PMI study. Accessed last 01 April 2020 from http://www.koreaherald.com/view.php?ud=20190821000757&ACE_SEARCH=1

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COP or other subsidiary bodies or accepts their sponsorship for delegates. (i.e. COP 4 & 5, INB 4 5, WG)¹⁹ (Rec 4.9 & 8.3)

In the past, the South Korean delegation did not include any representative from the tobacco industry to sessions of the Conference of the Parties (COP). Anyone who is involved or engaged in tobacco control related projects, researches, policy development, etc. is asked to certify his/her conflict of interest with tobacco industry. Those who may affect directly/indirectly tobacco-related decision making, such as a member of Tobacco Health Warnings Committee, should sign a Conflict of Interest Statement²⁰.

INDICATOR 2: So-called CSR activities

5. A. The government agencies or its officials endorses, supports, forms partnerships with or participates in so-called CSR activities organized by the tobacco industry. (Rec 6.2)

B. The government (its agencies and officials) receives contributions²¹ (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)



forest fire.²³

In 2019, KT&G continued to conduct its corporate social responsibility activities in relation to public interest and youth smoking prevention. It has organized a number of activities that involved volunteers service to support low-income families nationwide. This program was attended by Chenoa City Hall officials and various social welfare organizations.²² KT&G also recently supported the reconstruction of the regional library in Goseong-gun, Gangwon-do, which was severely damaged by a large

Previously, KT&G also held Sangsang Summit to support CSR startups together with government officials and private organizations. Approximately 400 professionals from government or government-related organizations, private entrepreneurship promotion organizations, CSR team of corporations, and investors attended this event. Major institutions like Social and Economic Support Center of Seoul Metropolitan Government, operating youth entrepreneurship program have participated.²⁴

INDICATOR 3: Benefits to the Tobacco Industry

¹⁹ Please annex a list since 2009 so that the respondent can quantify the frequency, http://www.who.int/fctc/cop/en/
²⁰ W/I/O FCTC Resubling of Vorce 2018. Agreeded lost 30 Memb 2020 from https://www.who.int/fctc/cop/en/

²⁰ WHO FCTC. Republic of Korea 2018. Accessed last 30 March 2020 from https://untobaccocontrol.org/impldb/wpcontent/uploads/Republic of Korea 2018 report.pdf

²¹ political, social financial, educations, community, technical expertise or training to counter smuggling or any other forms of contributions

²³ KT&G Corporation. KT&G Scholarship Foundation Sponsors Library Reconstruction in Goseong, Gangwon. Accessed last 30 March 2020 from

http://en.ktng.com/ktngNewsView?cmsCd=CM0048&ntNo=386&rnum=354&src=&srcTemp=&currtPg=1

²⁴ http://www.publicnow.com/view/EFE99E1B0DCBE4A88FEAB0C0E361E7B3B0CEA8BE

6. The government accommodates requests from the tobacco industry for a longer time frame for implementation or postponement of tobacco control law. (e.g. 180 days is common for PHW, Tax increase can be implemented within 1 month) (Rec 7.1)

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While there no new laws in regard to tobacco control were introduced in 2019, policies on display of tobacco products at points of sales, tobacco sponsorship, and cross-border advertising originating from the country still remain non-existent. Despite several tobacco tax reforms, Korea still has one of the highest smoking prevalence rates and also the lowest cigarette price. ²⁶

7. The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)

3

Despite smoking bans and restrictions on electronic cigarettes, the government permitted US-based company Juul Labs Inc. to enter and establish its local subsidiary in South Korea. Juul Labs Korea filed a trademark application with the Korean Intellectual Property Office and are allowed to market electronic cigarettes with nicotine levels up to two percent.²⁷

In the past years, the South Korean government actively supported cooperative association of tobacco production and committed to provide facilities and equipment preferentially.²⁸ Moreover, the Minister of Strategy and Finance allowed tobacco manufacturers to participate in public interest projects such as public health, medical care, protection of environment, and projects that support tobacco cultivation, within the range of 20 won per 20 cigarettes among cigarettes sold by the manufacturer.²⁹

International travellers can bring in duty-free 200 cigarettes or 50 cigars or 20 milligrams of electronic cigarettes or 250 grams of other tobacco products into South Korea.³⁰

INDICATOR 4: Forms of Unnecessary Interaction

8. Top level government officials (such as President/ Prime Minister or Minister³¹) meet with/ foster relations with the tobacco companies such as attending social functions and other events sponsored or organized by the tobacco companies or those furthering its interests. (Rec 2.1)

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²⁵ WHO FCTC Republic of Korea 2018. Accessed last 30 March 2020 from https://untobaccocontrol.org/impldb/republic-of-korea/

²⁶ Word Bank Group (2018). Reducing Tobacco Use through Taxation: The Experience of the Republic of Korea. Accessed last 30 March 2020 from http://documents.worldbank.org/curated/en/150681529071812689/pdf/127248-WP-PUBLIC-ADD-SERIES-WBGTobaccoKoreaFinalweb.pdf

²⁷ Tobacco Reporter (13 March 2019) Juul heads to South Korea. Accessed last 30 March 2020 from https://tobaccoreporter.com/2019/03/13/juul-heads-to-south-korea/

²⁸ Article 8 of the Cooperative Act on the Production of Dried Tobacco Leaf Produce. Accessed last 30 March 2020 from http://www.law.go.kr/lsInfoP.do?lsiSeq=181381&efYd=20160302#0000

²⁹ Article 25-3 (Participation in Public Interest Projects by Manufacturers, etc.). Accessed last 30 March 2020 from http://www.law.go.kr/lsInfoP.do?lsiSeq=195019&efYd=20170726#0000

³⁰ Korea (Rep.) Customs, Currency & Airport Tax regulations details. Accessed last 8 May 2020 from https://www.iatatravelcentre.com/KR-Korea-(Rep.)-customs-currency-airport-tax-regulations-details.htm#Import%20regulations

³¹ Includes immediate members of the families of the high-level officials



KT&G was certified as an excellent organization for cultural and arts sponsorship by the Ministry of Culture, Sports and Tourism for the creation of a cultural ecosystem where artists and the public can freely interact and enjoy.³²

KT&G CEO Back Bok-in received a certificate of excellent sponsorship for culture and arts at the 2019 ARKO Art Sponsor Night. The photo shows Lee Sang-hak, head of KT&G's Sustainability

Management (third from the left) and Kim Jeong-bae, director of the Ministry of Culture, Sports and Tourism (fourth from the left). (*Photo courtesy of KT&G Corporation*)

In the past, the government awarded its Prime Minister's Award to KT&G during the 2018 Family-Friendly Certification and Government Award Ceremony.³³ Moreover, the Ministry of Commerce and Industry and Energy selected and awarded companies, including British American Tobacco Korea (BAT Korea), for its contribution in the expansion of overseas exports. President Moon Jae In attended this event.³⁴

The government accepts assistance/ offers of assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to minors. (including monetary contribution for these activities) (Rec 4.3)

There were no reports on this issue.

10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1) NOTE: This must <u>not</u> involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions.

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There were no reports in this issue.

INDICATOR 5: Transparency

11. The government does not publicly disclose meetings/ interactions with the tobacco industry in cases where such interactions are strictly necessary for regulation. (Rec 2.2)

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The government does not disclose meetings and interactions with the tobacco industry to the public.

12. The government requires rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists

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No rules exist currently.

INDICATOR 6: Conflict of Interest

³² KT&G Corporation. KT&G selected as Excellent Institution for sponsorship of Culture and Arts sponsored. Accessed last 30 March 2020 from

http://en.ktng.com/ktngNewsView?cmsCd=CM0048&ntNo=377&rnum=347&src=&srcTemp=&currtPg=1

³³ http://www.sisajournal-e.com/news/articleView.html?idxno=195668

³⁴ http://www.betanews.net/article/948116

13. The government does not prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates, or campaigns or to require full disclosure of such contributions. (Rec 4.11)

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The government does not prohibit it.

14. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)

There are no incidents of former senior government officials joining the tobacco industry after their retirement.

15. <u>Current government officials</u> and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10)

1

Based on the Code of Conduct for Public Officials, it is not possible that current government officials can hold positions in other business.³⁵

INDICATOR 7: Preventive Measures

16. The government has put in place a procedure for disclosing the records of the interaction (such as agenda, attendees, minutes and outcome) with the tobacco industry and its representatives. (Rec 5.1)

5

There is no existing transparency or preventive measure system to disclose and record interaction with tobacco industry and its representatives in South Korea.

17. The government has formulated, adopted or implemented a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry. (Rec 4.2)

2

South Korea has an existing Code of Conduct for Public Officials (Presidential Decree No. 22471) to prescribe the standards for government officials in public service. It prohibits public officials from receiving all sorts of treats from any individual or organization that will get advantages or disadvantages as a direct result of decision or implementation of government policies or public projects (defined in Article 2.1(g)) as well as encourages impartially performing their tasks.³⁶

18. The government requires the tobacco industry to periodically submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying, philanthropy, political contributions and all other activities. (5.2)

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The government has some information on equity capital, types of tobacco to be manufactures, and annual manufacturing scale as indicated on Tobacco Business Act of 2014. The Minister of Strategy and Finance leads the assessment of regulation of tobacco businesses every three

³⁵ Civil Service Code of Conduct. Accessed last 30 March 2020 from http://www.law.go.kr/lsInfoP.do?lsiSeq=186698&efYd=20160928#0000

³⁶ Code of Conduct for Public Officials. Accessed last 30 March 2020 from

years and takes measures including improvement. However, the public has no access to this information. The tobacco industry is not required to submit information on marketing expenditure, philanthropy or other contributions.

19. The government has a program / system/ plan to consistently³⁷ raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2)

There is no concrete and systematic plan to raise awareness within government departments on policies relating to FCTC Article 5.3 Guidelines in South Korea.

However, in 2019, Health Minister Park Neung-hoo issued a strong warning on the use of liquid-type electronic cigarettes over health concerns, drawing public attention to the different popular brands available in the country. Moreover, South Korea's Ministry of Food and Drug Safety tightened its security and import measures, halting the general public from purchasing electronic cigarettes and liquid nicotine after a series of vaping-associated deaths in the US. ³⁹

20. The government has put in place a policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives. (3.4)

The Code of Conduct for Public Officials (Article 14) strictly prohibits public officials from receiving money or other valuables such as contributions/ gifts.⁴⁰ There is no such system or policy in place that disallows acceptance of contributions/ gifts *specifically* from tobacco industry to the government, its agencies, officials, and their relatives in South Korea.

TOTAL 56

³⁷ For purposes of this question, "consistently" means: a. Each time the FCTC is discussed, 5.3 is explained. AND b. Whenever the opportunity arises such when the tobacco industry intervention is discovered or reported.

³⁸ The Korea Herald (23 October 2019). What kinds of liquid-type e-cigs are sold in Korea? Accessed last 01 April 2020 from http://www.koreaherald.com/view.php?ud=20191023000778&ACE_SEARCH=1

³⁹ Tobacco Reporter (13 December 2019). South Korea Maintains E-cigarette Advisory. Accessed last 30 March 2020 from https://tobaccoreporter.com/2019/12/13/advisory-maintained/

⁴⁰ Presidential Decree No. 27518, Sept. 27, 2016. Civil Service Code of Conduct. Accessed last 30 March 2020 from http://www.law.go.kr/LSW/eng/engLsSc.do?menuId=2§ion=lawNm&query=code+of+conduct&x=0&y=0#liBgcolor0