

The Political Mapping of China's Tobacco Industry and Anti-Smoking Campaign

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JOHN L. THORNTON
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In Memory of my brother, Li Huifu:
one of the many who have died prematurely
from smoking-related causes.



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EXECUTIVE SUMMARY

The high prevalence of tobacco use in China is not only the country's single most serious public health problem, but also constitutes the ultimate test case for the global tobacco control campaign. While China's remarkable economic growth over the past three decades has been one of the most amazing miracles of our time, the country has also gained a reputation as “the smoking dragon” due to its rapidly growing tobacco industry and ongoing smoking-related health crisis. The anti-smoking campaign in China, despite daunting challenges and deep-rooted institutional barriers, has the potential—and the unprecedented opportunity—to change the course of the tobacco epidemic within China and in the world. The drafting of a political map of China's tobacco industry and its main stakeholders is essential for the next phase of the campaign.

DAUNTING CHALLENGES

Presently, the People's Republic of China (PRC) is the world's biggest tobacco producer, largest cigarette consumer, and gravest victim of the smoking-related health crisis:

- The Chinese tobacco industry produces over 2.3 trillion cigarettes every year. China's total production of cigarettes accounts for 40 percent of the world's total – about four times more than the United States, the second largest tobacco-producing country. China's production

is roughly equivalent to the combined production of the next seven largest tobacco-producing countries.*

- China is home to one-quarter of the world's smokers, who consume a third of the world's cigarettes. Over 300 million Chinese citizens smoke cigarettes every day. The prevalence of smoking has not changed much over the past decade.
- Tobacco-related diseases cause 1.2 million deaths in the country every year, accounting for 12 percent of total deaths. Tobacco now kills 90 times more Chinese citizens each year than HIV/AIDS. Meanwhile, according to PRC researchers, approximately 738 million Chinese people are affected by secondhand smoking. Unless effective tobacco control measures are promptly adopted, total casualties are expected to increase to 2 million per year by 2020, with half dying between the ages of 35 and 64.

INSTITUTIONAL BARRIERS

Despite growing public concern over the smoking epidemic's severe health consequences, as well as the massive long-term economic burden it presents, Chinese authorities have been slow to acknowledge this increasingly devastating public health crisis. Their hesitance to effectively curtail tobacco production and consumption is driven primarily by the fact that the tobacco industry is one of the largest sources of tax revenue for the Chinese government. Over the past decade, the tobacco industry has consistently contributed 7-10 percent of total annual central government revenues, similar to a number of lucrative and fast-growing sectors such as real estate and petroleum. According to the Chinese government's data, in 2011

* All of the statistics cited in the Executive Summary also appear in the text with full source information.

the Chinese tobacco industry generated over 753 billion yuan (US\$119.5 billion) in commercial and consumption tax and profits, and turned over 600 billion yuan (US\$95.2 billion) to the state as revenue.

There is also a political dimension to the Chinese leadership's reluctance. At a time when the country faces serious pressure to forestall an increase in unemployment and the social unrest that would result, the Chinese leadership tends to maintain or even promote tobacco production, eager to safeguard the jobs of its significant numbers of employees in farming, sales, and other related businesses. Officials tend to consider a proposed increase in cigarette consumption tax, which could reduce the prevalence of smoking, as politically risky because of its potential to stoke public resentment and social unrest among the country's vast body of low-income smokers.

The national political leadership is certainly not the only player that has a huge stake in the country's tobacco development. Various bureaucratic institutions at the center, a number of local governments, and major tobacco companies are also key players that aim to protect and advance the interests of the tobacco industry. The State Tobacco Monopoly Administration (STMA) monitors the tobacco industry in China. At the same time, STMA, often referred to as "the last bastion of China's planned economy," controls 98 percent of the country's cigarette market in its capacity as the China National Tobacco Corporation. Some provincial governments, most notably that of Yunnan Province, consider tobacco production to be the "pillar of the economy" in their regions. In recent years China's tobacco companies have frequently engaged in large-scale acquisitions and mergers. They aim to become bigger, more efficient, and more competitive in both domestic and global markets. All of these factors constitute major institutional and political barriers for tobacco control and anti-smoking campaigns in the PRC.

SIGNIFICANT PROGRESS

However daunting these challenges may seem, certain remarkable accomplishments of the past decade suggest there is cause for some optimism. In 2003, for instance, the PRC signed the World Health Organization Framework Convention on Tobacco Control (FCTC), an international tobacco control treaty that was a landmark event in China's (and the world's) tobacco control and anti-smoking campaigns. The PRC then ratified the treaty in 2005. By ratifying the treaty, the Chinese government has legitimized the tobacco control movement. Since then, tobacco control NGOs have been able to argue that they are not challenging the Chinese authorities, but rather are working for the more effective implementation of an approved treaty. The 2008 Beijing Olympic Games and 2010 Shanghai World Expo were notable for their strong commitments to, and effective implementation of, smoke-free environments.

The 12th Five-Year Plan, which was passed at the National People's Congress (NPC) meeting in March 2011, was the first in the history of China's five-year plans to adopt a resolution calling for the "full implementation of a smoking ban in public places." Never in the six-decade history of the PRC has the Chinese public been so aware of the negative impact of smoking on health. To a great extent, China's tobacco control and anti-smoking campaigns are bottom-up movements. Various segments of society—public health workers, intellectuals, legal professionals, journalists, cultural celebrities, and non-governmental organizations (NGOs), both domestic and foreign—have played indispensable roles in these accomplishments.

The involvement of these non-governmental actors, of course, does not detract from the importance of the Chinese leadership—both past and future—in helping China join the international community in the search for what could be one of the biggest advances in health security in the 21st century. As in other parts of the world, a strong political commitment on

the part of the top leadership in China is one of the most essential ingredients in successful tobacco control. Without it, legislation and coordination mechanisms among various government agencies at all levels, even if meticulously planned in isolation, will be ineffective.

Top leaders of the Chinese Communist Party (CCP) need to be persuaded that promoting public health and confronting the tobacco epidemic is in the best interest of their political careers and the ruling party's larger legacy in governance. This is especially true at a time when public opinion has become increasingly important. Major public health crises can be politically fatal for individual leaders, or perhaps even for the CCP regime itself.

UNPRECEDENTED OPPORTUNITIES

The changing nature of Chinese leadership politics and growing factional competition provide an unprecedented opportunity for more successful tobacco control efforts. Despite the highly diverse and divergent assessments of Chinese elite politics that populate the field of China studies, the last decade has witnessed a surprisingly strong consensus emerge that describes the country's historic transformation from a system led by one strongman, Mao Zedong and then Deng Xiaoping, to a new form of collective leadership. Members of the new collective leadership tend to be weaker. Leaders' weaknesses do not mean that they would avoid new or controversial policy initiatives, but rather they have more incentive to win public support through new policy interventions and through being more responsive to public opinions. As different leaders and competing factions are captured by different interest groups and constituencies, they are more, not less, motivated to seek a popular image and generate public support, especially regarding such a crucial and sensitive issue as public health security.

The Politburo of the CCP, especially its nine-member Standing Committee (China's supreme decision-making body),

now consists primarily of two informal and almost equally strong coalitions that compete against each other for power, influence, and their respective policy preferences. These two groups can be labeled the “populist coalition,” led by President Hu Jintao, and the “elitist coalition,” led by NPC Chairman Wu Bangguo. The two leading power contenders in the next generation of leaders (the so-called fifth generation), each represent one of these two coalitions: Vice President Xi Jinping is an elitist and Executive Vice Premier Li Keqiang is a populist. Xi and Li are expected to succeed Hu Jintao and Wen Jiabao at the 18th National Congress of the CCP in the fall of 2012 and the 12th NPC in the spring of 2013.

Although these upcoming leaders will probably not be inclined to diverge from their predecessors until they have solidified their positions, it is already evident that both Xi and Li wish to pursue new policy priorities (e.g., further market liberalization for Xi and the promotion of clean energy for Li). Other power contenders in the fifth generation have sought to differentiate themselves from their fellow competitors by targeted advocacy for certain policy objectives—whether these be affordable housing, social welfare reform, basic health care programs, a higher minimum wage, anti-corruption, government accountability, or intra-party democracy. Indeed, prior to the attempted defection of former Chongqing Police Chief Wang Lijun, who fled to the U.S. Consulate in Chengdu in February 2012, the political self-promotion campaigns by two Politburo members—former Chongqing Party Secretary Bo Xilai and Guangdong Party Secretary Wang Yang—were truly incredible for a one-party Leninist state known for its strict prohibition on political lobbying on the part of individual leaders. Although Bo’s campaign ended with his purge due to criminal charges against him, the game of Chinese elite politics has profoundly changed.

Meanwhile, never has the PRC witnessed such extraordinary openness and pluralism in its intellectual and political discourse on the eve of a political succession. China’s ongoing

intellectual and political debates are not limited to the realm of ideas and values—they also seem closely linked to politics and the interests of heavyweight politicians and political factions. The Chinese public seems increasingly aware of the ongoing political tensions and policy differences within the leadership, especially between some of its most prominent rising leaders.

It should be noted that tobacco control and the smoking-related epidemic are not currently major issues at the highest levels of politics. No Chinese politician at the Politburo level or above has attempted to make anti-smoking initiatives his or her hot button issue. Still, three situational factors related to the Chinese top leadership have strong symbolic implications—and potentially profound ramifications—for China's anti-smoking campaign:

- None of the current nine members of the Politburo Standing Committee is presently a smoker. In the 25-member Politburo, only five leaders (20 percent) are smokers, and they rarely smoke in public, in sharp contrast to previous top Chinese leaders such as Mao and Deng.
- Vice President Xi Jinping's wife, Peng Liyuan, the likely soon-to-be first lady of China, has served as an "Anti-Smoking Ambassador" for the Chinese Association on Tobacco Control along with Yao Ming and other Chinese celebrities since 2009. Peng is a famous Chinese folk song singer who has spent her career in the People's Liberation Army (PLA), where she currently holds the rank of major general.
- Executive Vice Premier Li Keqiang's brother, Li Keming, has served as Deputy Director of the State Tobacco Monopoly Administration since 2003. In fact, Li Keming has worked in the tobacco industry for the past three decades. This is particularly ironic—and

insensitive on the part of the soon-to-be premier—as Li Keqiang has been in charge of China’s public health since 2008.

All of these situational factors may be crucial to the battle for tobacco control in the near future. The Chinese public and anti-smoking NGOs can be mobilized in a politically consequential way to enhance public awareness about the stakeholders on both sides of tobacco-related developments. The dynamic tensions between various forces involved on this front further illustrate the need for the anti-smoking campaign to develop a strategic map with which to better navigate this otherwise very complicated, largely opaque, and undoubtedly political terrain.

POLITICAL MAPPING

The main objective of this study is to focus on the political mapping of the key players, institutions, and forces related to China’s tobacco industry and its impact on the country’s public health. Specifically, the study provides four levels of analysis:

- *The Top Political Leadership Level.* An effective anti-smoking campaign must persuade political decision-makers to recognize the political incentives (or the political liability) to support efforts to curtail tobacco production and consumption. The study illustrates the profound generational differences in the Chinese leadership in terms of their attitudes and behaviors regarding smoking. With an overview of the current members of the Politburo and its Standing Committee as well as more detailed profiles on a few key figures related to public health, the study explores both the idiosyncratic backgrounds of individual leaders and the factional dynamics of the country’s most powerful decision-making body.

- *The National Institutional Level.* The implementation and coordination of tobacco control policies are usually as important as the policies themselves. The study examines the institutional roles and mechanisms of bureaucratic institutions as well as their interactions. This includes China's eight central government organs led by the Ministry of Industry and Information Technology, which are responsible for China's FCTC implementation. The study reveals the ultimate tensions between the commercial incentive for the promotion of "the tobacco economy" and the public health necessity for tobacco control on the part of central governmental agencies.
- *The Provincial Level.* Efforts to curtail tobacco production in China will inevitably touch a nerve for certain provincial governments because of their reliance on the tobacco industry's significant contributions. At this level of analysis, the study focuses on Yunnan Province—how the tobacco industry plays a central role in the local economy, how the revenue divide intensifies the tensions between the central and provincial governments, how tobacco-related corruption penetrates the politics of the province, and how provincial leaders form patron-client ties and political coalitions in Beijing.
- *The Tobacco Company Level.* Political lobbying, tobacco advertisements, and industrial innovation are arguably the tobacco companies' most essential ingredients for success. This report uses the Hongta Group in Yuxi City, Yunnan Province, as a case study. This study shows the strategies of the company at various stages of its development, especially its more recent campaigns of technological innovation, brand name recognition, public relations, political lobbying of top national and provincial leaders, domestic and international mergers and acquisition, and business diver-

sification. This study also reveals the tensions between the Hongta Group and the STMA, which the anti-tobacco campaign may find useful to explore further.

In sum, this report aims to develop strategic approaches to advance the anti-smoking agenda in China by mapping the political and institutional landscape of the tobacco industry and its main stakeholders. It presents valuable information about personal backgrounds, policy positions, political networks, economic interests, regional power bases, business associations, and institutional affiliations of key figures at various levels of the leadership. It also provides clues for the future analysis of tobacco control in the PRC. Seen from a broader perspective, this study offers an analytical roadmap of the Chinese political structure and dynamics for other important domains of inquiry besides public health.



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ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
BAT	British American Tobacco
CAE	Chinese Academy of Engineering
CAPM	Chinese Academy of Preventive Medicine
CAS	Chinese Academy of Sciences
CASS	Chinese Academy of Social Sciences
CATC	Chinese Association on Tobacco Control
CBHC	Central Bureau of Health Care
CCB	China Construction Bank
CCDI	Central Commission for Discipline Inspection
CCP	Chinese Communist Party
CCPSL	Central Commission of Political Science and Law
CCSC	China Cigarette Sales Company
CCTV	China Central Television
CCYL	Chinese Communist Youth League
CDC (China)	Center for Disease Control and Prevention (China)
CGCECC	Central Guidance Committee on Ethical and Cultural Construction
CMC	Central Military Commission
CNPC	Chinese National Petroleum Corp

CNTC	China National Tobacco Company
COPD	Chronic Obstructive Pulmonary Disease
CPPCC	Chinese People's Political Consultative Conference
CTLC	China Tobacco Leaf Corporation
DRC	Development Research Center
FCTC	Framework Convention on Tobacco Control
GAOC	General Administration of Customs
GAQSIQ	General Administration of Quality Supervision, Inspection and Quarantine
GONGO	Government-Organized Non-Governmental Organization
HIV	Human Immunodeficiency Virus
ICBC	Industrial and Commercial Bank of China
JTI	Japan Tobacco International
MIIT	Ministry of Industry and Information Technology
MOA	Ministry of Agriculture
MOFA	Ministry of Foreign Affairs
MOH	Ministry of Health
NCD	Non-communicable Diseases
NDRC	National Development and Reform Commission
NGO	Non-Governmental Organizations
NOTC	National Office of Tobacco Control
NPC	National People's Congress
PLA	People's Liberation Army
PRC	People's Republic of China
PSC	Politburo Standing Committee
PUMC	Peking Union Medical College

SAIC	State Administration for Industry and Commerce
SARS	Severe Acute Respiratory Syndrome
SASAC	State-owned Assets Supervision and Administration Commission
SAT	State Administration of Taxation
SC	State Council
SETC	State Economic and Trade Commission
SOE	State-Owned Enterprises
SPC	State Planning Commission
STMA	State Tobacco Monopoly Administration
TFI	Tobacco Free Initiative
TTRHD	Think Tank Research for Health Development
WHO	World Health Organization
YATR	Yunnan Academy of Tobacco Research



CHAPTER 1 - CHINA'S BATTLE FOR TOBACCO CONTROL: PROMISING PROGRESS AMID PERSISTENT PROBLEMS

Tobacco use and the smoking-related epidemic in China are at once much better and much worse than is generally imagined.

Better, because comparing a survey conducted in the last decade with a similar one completed in the 1990s, the prevalence of smoking among Chinese adult males dropped from 63 percent in 1996 to 56 percent in 2002.¹ According to a study by the Capital Medical University in Beijing, the proportion of smokers in the capital city decreased from 34.5 percent in 1997 to 23 percent in 2007.² Because the Chinese government signed and ratified the Framework Convention on Tobacco Control (FCTC), the Chinese tobacco control movement has been able to present everything it does in legally and politically legitimate terms. A largely bottom-up anti-smoking campaign has increasingly gained momentum in the country. It's worth noting that the FCTC is unlike some other international treaties China has ratified because it does not allow parties to opt out of any of its provisions. If a party ratifies the FCTC, the party accepts the full text.³ The public health community has successfully urged the Chinese government to commit to several important policy initiatives in tobacco control. For example, the 12th Five-Year Plan, passed at the NPC meeting in March 2011, was the first in the history of China's five-year plans to adopt a resolution calling for the "full implementation of a smoking ban in public places."⁴ Even prior to that resolution, in 2007, half of China's 337 large- and medium-sized cities issued regulations and laws to restrict smoking in public areas.⁵

The Chinese public has never been as aware of the negative impact of smoking on health as they have been in recent years.

Worse, because the tobacco epidemic has increasingly become what public health experts have labeled “one of the most challenging public health problems in China.”⁶ As both the world’s largest tobacco producer and consumer, China accounts for roughly 40 percent of the world’s production and one-third of the world’s consumption.⁷ Over 300 million Chinese citizens (approximately equivalent to the entire US population) smoke cigarettes every day. And over the past decade the prevalence of smoking has barely changed.⁸ Based on a recent study conducted by PRC scholars, the total percentage of exposure to second-hand smoke increased from 53 percent in 2002 to 73 percent in 2010. (This increase can, of course, also be interpreted as a reflection of the growing public awareness of the harm of second-hand smoking).⁹ According to some PRC researchers, China has approximately one million tobacco-related deaths annually, accounting for 12 percent of total deaths. It is expected that this number will increase to 2 million per year (or 33 percent of total deaths) by 2020, with half dying between the ages of 35 to 64.¹⁰ The high prevalence of tobacco use in the PRC has the potential (if it has not already done so) to severely undermine the country’s economic competitiveness, socio-political stability, and international image. As China has already emerged as a global economic power in the early years of the 21st century, her role as a responsible stakeholder relating to international norms and important causes such as public health will increasingly be in the spotlight. China simply cannot afford to be perceived as the “smoking dragon,” a term adopted by some Western journalists to refer to the country’s tobacco epidemic.¹¹

These seemingly contradictory developments in China’s battle to control tobacco use suggest that the anti-smoking campaign in the world’s most populous country is at a crucial stage characterized by encouraging progress and embarrassing setbacks, as well as tremendous opportunities and intractable challenges. The ramifications of this multi-dimensional battle will reach

far beyond China's national borders. There is an argument to be made that China's anti-smoking campaign should be at the heart of the global agenda to improve public health. One can hardly imagine that the international movement against the tobacco epidemic will be able to claim any true breakthrough without fundamental progress in China, which is often seen as the "ultimate test case for global tobacco control." In short, "the success of tobacco control in the world hinges on success in China."¹² To promote this very important agenda that could decide the course of the global tobacco epidemic, one must first assess the contending forces fighting over tobacco use and control in China, and then develop a well-designed strategic roadmap for the anti-smoking campaign.

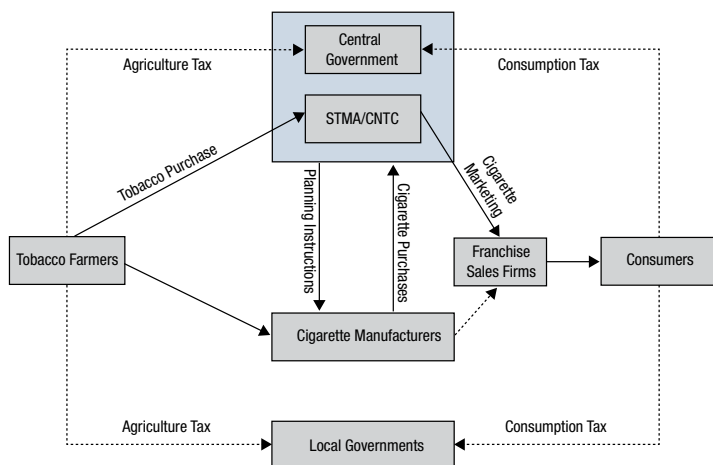
THE CONTENDING FORCES FOR AND AGAINST TOBACCO USE IN CHINA

Anyone who deals with the Chinese tobacco industry is aware that it is a gigantic monopolized enterprise—an enormously powerful state institution. The State Tobacco Monopoly Administration (STMA), especially as embodied in its de facto industrial and business agency, the China National Tobacco Corporation (CNTC), is the world's largest tobacco firm. This Chinese governmental tobacco enterprise dominates about 32 percent of the global market by volume, which is roughly the combined total market share of Philip Morris International and British American Tobacco (BAT), the second and third largest tobacco companies in the world.¹³ In terms of cigarette manufacturing by country, China's production is equal to the total cigarette production of the next seven biggest cigarette-producing countries.¹⁴ Yet, despite the fact that China's colossal tobacco industry and its powerful stakeholders have remained as formidable as ever, the forces against tobacco use in the country have made impressive progress in the last two decades. An overarching assessment of the status of the tobacco industry in China, on the one hand, and the anti-smoking campaign being waged against it on the other, is a logical beginning to this report.

China's "Tobacco Economy" and its Stakeholders

The tobacco business in China consists of six primary stakeholders: 1) the national leadership (especially through the state monopolies STMA and CNTC); 2) local governments; 3) tobacco farmers; 4) tobacco manufacturing companies; 5) franchised sales firms of retailers of cigarettes; and 6) consumers. Chart 1-1 shows the chain structure and interest configuration of these six stakeholders in tobacco production, manufacturing, marketing, purchasing, consumption, and taxation. According to a recent study by the Research Institute of Industrial Economy of the Chinese Academy of Social Sciences (CASS), China had approximately 60 million people employed by or making their living through the tobacco industry in 2009.¹⁵ This number includes 182,000 tobacco farmer households and 4,953,000 cigarette retailer households, although the vast majority of these retailers also sell other products and usually do not depend solely on cigarettes for their livelihood.¹⁶

CHART 1-1: CHINA'S TOBACCO INDUSTRY: MAIN STAKEHOLDERS, CHAIN STRUCTURE AND INTEREST CONFIGURATION



Note and source: National Development and Reform Commission (Research Institute of Industrial Economy and Technology), *Woguo yancao chanye zhuanxing yanjiu* (The Study of the Transition of China's Tobacco Industry). February 10, 2011. Translated and modified by Cheng Li.

Among these stakeholders, the STMA, which represents the central government, along with its regional bureaus that represent various levels of local governments, is the “largest stakeholder” (*zuidade liyi zhuti*), as acknowledged by Chinese authorities.¹⁷ In 2005, China had over 13,000 personnel working in the management of tobacco monopoly agencies.¹⁸ An overwhelming majority of tobacco factories and companies in China are state-owned enterprises (SOEs) under the administrative control of the CNTC. In 2005, for example, state assets accounted for 96 percent of total assets in the tobacco industry.¹⁹ One of the tobacco industry’s strategies in China over the past decade or so has been to make these tobacco companies bigger and more competitive through domestic mergers and acquisitions. The total number of enterprises in the tobacco industry decreased from 185 in 1998 to 151 in 2000, 123 in 2002, 57 in 2004, 44 in 2005, and to 31 in 2009.²⁰ Most of the 31 currently operating enterprises are located in a handful of provinces (and province-level cities) such as Yunnan, Hunan, Shanghai, Henan, Jiangsu, Zhejiang, Shandong, and Guizhou.²¹

Tobacco production and consumption have long played a pivotal role in the Chinese economy. Since 1987 the tobacco industry has maintained its status as a “major taxpayer” (*nashui dahu*) in the country.²² For example, in 2005 tobacco companies made up 30 of China’s top 100 taxpayers.²³ Over the past decade the tobacco industry has consistently contributed 7-10 percent of total annual government revenue (tax and profits).²⁴ This may explain why, generally speaking, the Chinese term “tobacco economy” has rarely had a pejorative connotation in the country.

The remarkably fast development of other industries in China such as real estate, petroleum, railways, and telecommunications over the past decade has not necessarily reduced the importance of the Chinese tobacco industry. A recent report by the National Development and Reform Commission (NDRC) called 2009 a “landmark year” for China’s tobacco industry

because its revenue (tax and profits) exceeded 500 billion yuan (530 billion yuan, to be exact) while most other industries in the country witnessed a significant drop in revenues.²⁵ Not surprisingly, the percentage of the tobacco industry's contribution to total state revenue increased from 7 percent in 2008 to 8 percent in 2009.²⁶ In 2010, in the wake of the global financial crisis, Li Yizhong, then-Minister of Industry and Information Technology, said to the Chinese media that China's tobacco industry made great contributions to "China's V-shaped economic recovery."²⁷

According to Jiang Chengkang, director of the STMA, the Chinese tobacco industry in the 11th five-year plan period (2006-2010) enjoyed the fastest growth rate of any industry in PRC history. The industry's contribution to revenue (a combination of both taxes and profit) increased from 253 billion yuan in 2006 to 605 billion yuan in 2010, or roughly 19 percent annual growth—and the tax portion of total revenue generated for the state increased from 194.4 billion yuan to 498.8 billion yuan.²⁸ Ironically, this period of rapid development for China's tobacco industry took place immediately after the Chinese government signed the international tobacco control treaty, the World Health Organization Framework Convention on Tobacco Control (FCTC) in 2003, and ratified it in 2005. The core objective of the treaty is to reduce the production and consumption of tobacco in signatory countries.²⁹ In 2009, China's tobacco industry produced 2.3 trillion cigarettes, a 40 percent increase from 2000, the year the PRC began FCTC negotiations.³⁰

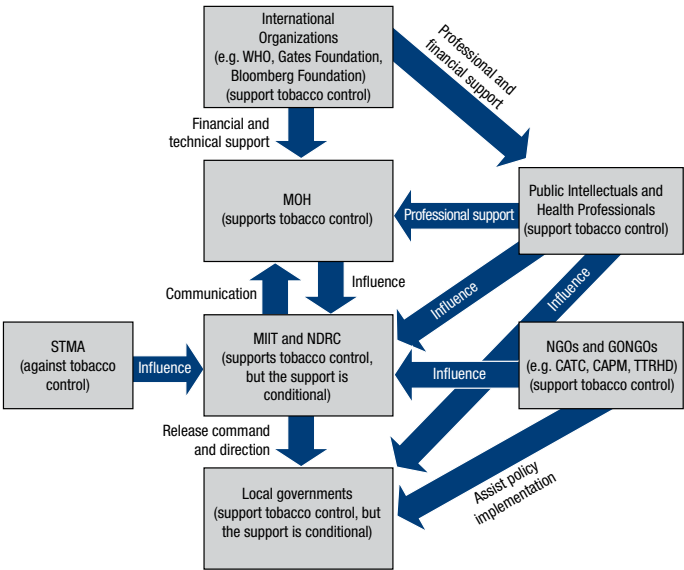
According to data released at the China National Tobacco Conference in 2012, the tobacco industry's tax remittances and profits contributed to the state further increased to 753 billion yuan in 2011 (22.5 percent growth compared with the previous year).³¹ Meanwhile, the tobacco revenues generated for the state increased to 600 billion yuan (22.8 percent growth compared with the previous year), accounting for 5.8 percent of the total state revenue (10,374 billion yuan) in 2011.³² The

net profit of the CNTC in 2010 was 117.7 billion yuan, or about 320 million yuan per day.³³ This made the CNTC the fourth largest company in China in terms of net profit, next only to the Industrial and Commercial Bank of China (ICBC), the Chinese National Petroleum Corp (CNPC), and the China Construction Bank (CCB). These statistics reveal the huge gap between the Chinese government’s promise of tobacco control and the sobering reality of the country’s “tobacco economy.” Clearly, China’s anti-smoking campaign faces an uphill battle.

China’s Bottom-up Anti-Smoking Movement

As some Chinese experts in the field have observed, tobacco control in China did not get off the ground until the 1990s, later than many other countries.³⁴ China’s anti-smoking campaign has involved various segments of society—public health

CHART 1-2: MAIN ACTORS AND THEIR RELATIONSHIPS IN TOBACCO CONTROL



Notes and Sources: Kinglun Ngok and Dian Li, “Tobacco Control in China: Process, Actors and Policy Initiatives.” *Journal of Asian Public Policy*, Vol. 3, No. 1 (March 2010): 100-110. Also, Kinglun Ngok, “The Development and Limitations of China’s Tobacco Control Policy: A Reluctant Tobacco Control Movement.” Online working paper (2010), p. 13. Modified and updated by Cheng Li.

professionals and officials, intellectuals, lawyers, journalists, celebrities, and non-governmental organizations (NGOs), both domestic and foreign. These groups have been the primary forces advocating for the adoption and implementation of some important tobacco control initiatives over the past decade or so. China's increasingly independent and outspoken public intellectuals and health professionals (some of them associated with NGOs and some acting individually) have exerted pressure on central governmental agencies, offered professional support to the Ministry of Health, influenced the public discourse, assisted and lobbied local governments to adopt anti-smoking legislation, and counterbalanced powerful pro-tobacco governmental agencies such as STMA. Chart 1-2 shows the main actors and their relationships to China's tobacco control.

There have been a number of encouraging developments, including China's ratification of the FCTC, the smoke-free Beijing Olympics and Shanghai World Expo, the adoption of laws that ban various forms of cigarette advertisements, the requirement for health warnings on cigarette packages, and the passage of legislation banning smoking in public places. These developments are by no means trivial or inconsequential, especially considering the relatively short history of China's anti-smoking campaign. As recently as 2004, Ireland became the first country in the world to fully ban smoking in workplaces.³⁵ It should be noted that Chinese anti-smoking advocates have made these important advances in an enormously challenging socio-political environment. The story of China's grassroots anti-smoking campaign therefore also reflects the existence and growing momentum of the country's civil society.

Some of the developments can be seen as "turning points" in China's battle to fight the tobacco epidemic. As a number of PRC public intellectuals have argued, the fact that the Chinese government signed the FCTC means that the Chinese government has legally acknowledged that smoking is harmful to public health and that the tobacco industry could have devastating

consequences for the economy down the road.³⁶ In 2004, Liu Tienan, vice minister of the NDRC, who had previously served as China's principal representative in the FCTC negotiations, admitted in his co-edited book on tobacco-related issues that "to a certain extent, the Chinese notions of tobacco economy and tobacco control are a pair of mutually contradictory propositions."³⁷

One may reasonably argue that the key objective of the anti-smoking movement in China is less about asking for official commitments to tobacco control than about ensuring their effective implementation. This is exactly what the campaign has emphasized in recent years. In the spring of 2011 two prominent Chinese public intellectuals, Yang Gonghuan, an expert on public health and former deputy director of the Centers for Disease Control and Prevention (China CDC), and Hu Angang, a professor at the School of Public Policy and Management at Tsinghua University and director of the Center for China Studies at the Chinese Academy of Sciences and Tsinghua University in Beijing, released a co-authored volume, *Tobacco Control and China's Future: Chinese and Foreign Experts' Joint Evaluation Report on China's Tobacco Consumption and Tobacco Control*.³⁸ The report was truly extraordinary: a group of self-assembled public intellectuals evaluated the performance of the Chinese government on an important area of public health in light of international norms and standards.

The most striking aspect of this comprehensive report was its quantified evaluation of the performance of the Chinese government regarding tobacco control: "China is doing poorly in implementing the FCTC with a performance score of only 37.3 points out of 100 possible points."³⁹ The report also straightforwardly stated that "tobacco smoking has become the 'top killer' of the Chinese population" and that "a lack of government leadership underlies these poor results in tobacco control."⁴⁰ Almost all of the major Chinese media outlets, including those in print, television, radio, and the Internet, had substantial coverage of the release and main content of the

report. According to content analysis conducted by scholars in the communications department at the People's University in Beijing, within two weeks of the release of the report, over 900 related news articles had been published.⁴¹ For instance, CCTV's popular anchor Bai Yansong and well-known reporter Rui Chenggang provided special coverage of the report. The evaluation report has stirred up serious public discourse on the harm of smoking and the need for more effective control of tobacco use on the part of the Chinese government. Yin Da-kui, president of the Chinese Association of Medical Doctors and former vice minister of health, has argued that "the harm of tobacco is much more severe than that of earthquakes, severe acute respiratory syndrome (SARS), and tsunamis."⁴²

This unique report—and its immediate impact on the public's awareness of the tobacco epidemic—suggests that China's anti-smoking campaign has largely been a bottom-up movement. In China's campaign to prevent AIDS and to promote public education about the disease, Premier Wen Jiabao and former Vice Premier Wu Yi spearheaded several important public initiatives, but the role of grassroots campaigns was also admirable.⁴³ In contrast, the anti-smoking campaign in China has been notable for its absence of strong governmental input. China's eight central government organs involved in tobacco-related issues, led by the Ministry of Industry and Information Technology (MIIT), are supposedly responsible for China's FCTC implementation. In reality, however, most of these governmental institutions have conflicts of interest concerning tobacco control and thus, with the possible exception of the Ministry of Health, have often been considered forces *for* rather than *against* tobacco use. This should come as no surprise. After all, in China, "the same entity responsible for tobacco control—the government—is also the country's largest cigarette manufacturer."⁴⁴

According to Chinese official sources, in 2008, China had only about 100 public health professionals working in the tobacco control field, and most of them were only working part-time.⁴⁵

Moreover, while cigarette sales generated US\$21 billion in taxes in 2003, the Chinese government spent as little as US\$1 million on tobacco control.⁴⁶ In 2010, the total annual governmental expenditure on tobacco control was 9.6 million yuan (US\$1.5 million), or approximately 300,000 yuan (US\$47,800) per province. In contrast, the Hong Kong Special Administrative Region spent HK\$30 million (US\$3.9 million) on tobacco control in that year.⁴⁷ The backbone of the anti-smoking campaign is largely made up of public intellectuals and public health professionals, especially those retired officials and staff members from public health agencies such as the China CDC and its predecessor agency, the Chinese Academy of Preventive Medicine (CAPM).

The co-authors of the aforementioned landmark evaluation report, Yang Gonghuan and Hu Angang, have been instrumental participants in the bottom-up anti-smoking campaign. Yang Gonghuan has worked on the frontline of preventive medicine and tobacco control ever since she graduated from Huaxi Medical University in Chengdu in 1982. While working at the CAPM, Yang had close contact with international public health communities. She studied at the Harvard School of Public Health as a visiting scholar in 1987, worked on adult health projects in developing countries at the World Bank from 1988 to 1990, and conducted research for the Tobacco Free Initiative (TFI) project at the WHO in Geneva from 1999 to 2000, during which time she participated in the preparation of the FCTC. She later served as a member of the Chinese delegation for the FCTC negotiations. Yang also served concurrently as Deputy Director of China CDC, director of the National Office of Tobacco Control (NOTC) and a professor at Peking Union Medical College (PUMC) for many years.

An accomplished scholar in both the fields of epidemiology and non-communicable diseases (NCDs), Yang has played a crucial role in China's anti-smoking campaign. Throughout the 1990s, Yang, as principal investigator, led several important surveys of tobacco prevalence in the Chinese population,

which were widely quoted as authoritative data. In 1991, for example, Yang helped organize the cohort study on the relationship between disease and tobacco use. In 2002, Yang organized “The National Conference on Tobacco Control Policy Development in China in the 21st Century,” which was the first conference that focused on tobacco control strategy in China. In 2009, Yang wrote a letter to Premier Wen Jiabao urging the Chinese government to more effectively curtail the powerful tobacco interest groups and to provide more human and financial resources to public health in general and tobacco control in particular.⁴⁸ Premier Wen promptly and positively replied to her letter. It may not be an exaggeration to say that one cannot comprehensively discuss China’s battle against the tobacco epidemic without mentioning the leadership role of Chinese public health professionals such as Yang Gonghuan.

Like Yang, Hu Angang belongs to the famous class of 1982; but unlike Yang, Hu is not a public health professional by training.⁴⁹ He received his academic degrees in metallurgy and engineering, including his doctoral degree in engineering from the Institute of Automation at the Chinese Academy of Sciences (CAS) in 1988. Similar to Yang, Hu spent a few years abroad as a visiting scholar, working as a postdoctoral fellow at Yale University from 1991 to 1992, a research fellow at the School of Arts and Sciences at MIT in 1997, and a visiting professor in economics at Harvard University’s Kennedy School of Government in 2001. As a largely self-educated economist, Hu has long worked in the field of public policy, including the area of public health. Under his leadership, the Center for China Studies has become a leading venue for Chinese public policy discourse. For example, when China was beset with the SARS epidemic in the spring of 2003, the center issued 32 reports on the subject. Hu was also invited to participate in two small roundtable discussions on combating the epidemic, which were held at the State Council and chaired by Premier Wen himself.

Hu Angang is particularly known for his argument that “insecurity in health” (*jiankang bu’anquan*) caused by factors such

as air pollution, water pollution, and the prevalence of smoking, is the most significant challenge to China's future security and development.⁵⁰ As a participant in the drafting of the 12th Five-Year Plan, Hu played an important role in the adoption of the plan's resolution on the "full implementation of a smoking ban in public places."⁵¹

Yang Gonghuan, Hu Angang, and their like-minded colleagues in the anti-tobacco campaign have also made a great effort in lobbying local leaders and members of the NPC. In 2009, the campaign designated seven cities (Shanghai, Wuxi, Changsha, Ningbo, Luoyang, Qingdao and Tangshan) as an early set of cities committed to building smoke-free cities through local legislation. An earlier effort, led by the China CDC, was focused on getting the six PRC Olympic cities to ban smoking in public places in time for the 2008 Olympics. Guangzhou also pushed through smoke-free legislation ahead of the 2011 Asian Games. More recently, Lanzhou, Harbin, Shenyang, Tianjin, Nanchang, Chongqing, and Shenzhen, all of which have had high smoking penetration rates, have also adopted smoke-free city programs. In addition to the two seven-city programs listed above, a separate project, with different funding, has been focusing on another 13 cities, including Shanghai.⁵² At the March 2011 meeting of the NPC more than 500 delegates of the total 2,987 delegates signed onto a tobacco control bill.

Other important figures in China's anti-smoking campaign such as Wang Ke'an and Wu Yiqun have also long worked in the field of public health. Wang was previously the director of the CAPM, the predecessor agency to the CDC, and Wu served as a CAPM deputy director. They currently serve as director and deputy director, respectively, of the Think Tank Research for Health Development (TTRHD), a public health NGO.⁵³ The Chinese Association on Tobacco Control (CATC), which is often seen as a "GONGO" (Government-Organized Non-Governmental Organization), has also played an important role since its establishment in 1990.⁵⁴ The association largely consists of medical professionals and officials from the

Ministry of Health (both former and current officials). It is led by a sitting Vice Minister of Health, Huang Jiefu, who holds the bureaucratic rank of a full minister. Over the past two decades, the CATC has conducted large-scale national surveys on the prevalence of smoking, hosted the 10th World Conference on Tobacco or Health in Beijing in 1997, promoted the establishment of smoke-free hospitals and smoke-free schools, and urged the Shanghai World Expo Bureau to return 200 million yuan of donations from the tobacco industry.

The websites of the TTRHD and CATC chronicle many of the major campaigns and the tactics used. Advocates have also been very creative in using the NPC and CPPCC, at both the national and local levels, to publicize tobacco control goals and embarrass the tobacco industry. In the past few years, tobacco control NGOs, with the support of the MOH, have issued the annual “Top Ten News Stories on Tobacco Control in China.”⁵⁵ Recently, the CATC named several celebrities as “China’s Anti-Smoking Ambassadors;” including popular singer (and wife of PRC Vice President Xi Jinping) Peng Liyuan, basketball star Yao Ming, famous TV anchor Yang Lan, and cross-talk comedian Jiang Kun.

To form a broader political and professional coalition, especially among public intellectuals across fields, has been a key strategy of China’s anti-smoking campaign. The recently released evaluation report by Yang Gonghuan and Hu Angang is a good example. In order to develop this evaluation project, Yang and Hu not only formed a 19-person project research team, but also established a 57-person expert advisory panel, which included state leaders (Vice Chairman of the NPC and former Vice President of Beijing Medical University Han Qide and State Council Advisor Ma Li); former senior public health officials (former Vice Minister of Health and current President of the Chinese Preventive Medicine Association Wang Longde, and former Director of the Beijing Health Bureau and current President of Beijing Medical Association Jin Dapeng); legal experts (Vice President of the China University of Political Science and

Law Ma Huaide and President of the Society of Chinese Administrative Law Ying Songnian); economists (Director of the Unirule Institute of Economics Mao Yushi and Professor at the China Center for Economic Research at Peking University Li Ling); media experts (former senior editor at the Xinhua News Agency's *Liaowang* (Outlook) newsweekly Chen Siyi, and current senior editor at Xinhua's China Features Xiong Lei); public health NGO representatives (Secretary-General of the CATC Xu Guihua and Director of the TTRHD Wang Ke'an); and foreign medical and charitable institutions (President of the China Medical Board Lincoln Chen and Senior Advisor of the World Lung Foundation Jeffrey Koplan). By assembling these prominent figures in various fields, the authors of the report aimed to convey the message to both the Chinese public and the government that smoking is medically harmful for individuals, economically detrimental to the government, and legally problematic for the country's obligations as a ratifying member of the FCTC.

It is interesting to note that the project's advisory panel includes both leading liberal scholars such as Mao Yushi and prominent conservative scholars like Li Xiguang. Mao has recently been accused of being a "traitor" and a "running dog" for US anti-China forces by left-wing scholars and the so-called "angry youth"—young Chinese who hold ultra-nationalist views. In contrast, Professor of Media and Communication at Tsinghua University Li Xiguang, the author of the best-selling Chinese book *Behind the Demonization of China*, has made his reputation as an ultra-nationalistic media icon and a leading voice alleging an American-led conspiracy to contain China's rise. Regarding tobacco-related issues, Li has had little criticism for foreign countries or foreign companies. Li has been actively involved in the anti-smoking campaign, especially in the area of media reporting of the harm of tobacco use. He co-edited *A Handbook for Tobacco Control Reporting*, a well-documented multidisciplinary guidebook on the subject, and helped design programs to train Chinese journalists to cover issues relating to tobacco epidemics.⁵⁶

This broader anti-smoking coalition has served as an effective pressure group, helping to constrain the influence of a very powerful pro-tobacco lobby. In other words, the anti-smoking campaign has occupied the “moral high ground” and has largely dominated the platform of public discourse on tobacco control in China. Arguably because of the fact that the Chinese anti-smoking campaign has earned the reputation of best serving China’s national interest through the protection of people’s right to health (*jiankangquan*), this bottom-up movement is less constrained by its close associations with foreign NGOs than some other largely-indigenous movements in the country.

China’s anti-smoking campaign has received generous overseas support, both professionally and financially, especially from the Bill & Melinda Gates Foundation and the Bloomberg Initiative to Reduce Tobacco Use, which jointly committed US\$500 million in 2008 to combat the global tobacco epidemic.⁵⁷ A significant portion of the funding has been or will be used in China’s fight against the tobacco epidemic. The Bill & Melinda Gates Foundation (which contributed to this project through the China Medical Board), for example, recently provided US\$24 million in grants to groups working on tobacco-control efforts in China.⁵⁸ The Bloomberg Initiative focuses on 15 priority developing countries with the greatest number of smokers. China tops the list.

The far-reaching achievements made in tobacco control in other parts of the world, especially in developed countries in recent years, has also inspired the Chinese anti-smoking campaign. In their cross-country comparative studies of tobacco control, PRC scholars often cite the trends of declining tobacco production and consumption as well as the drastic drop in smoking prevalence in Western developed countries. In developed countries, tobacco production and consumption saw, on average, an annual decrease of 1.7 percent and 0.6 percent, respectively, between 1985 and 2005.⁵⁹ Great Britain has witnessed the most rapid decrease in the world in terms of

premature deaths from tobacco; cigarette sales in the country have halved over the past three decades.⁶⁰ Great Britain's smoking prevalence rate in males over 18 year old dropped from 61 percent in 1960 to 55 percent in 1970, 42 percent in 1980, 31 percent in 1990, 28 percent in 1998, and 22 percent in 2009.⁶¹ The rate of premature death in Great Britain has fallen steadily over the last decade for both men and women. According to a British report, the rates have decreased by nearly 20 percent: "In 2009, this rate was 223 per 100,000 males and 138 per 100,000 females, compared to 271 and 166 respectively a decade previously."⁶² As for the United States, also frequently cited by PRC anti-smoking activists, the smoking prevalence rate among male adults dropped from 52 percent in 1965 to 26 percent in 1999, and then to 23.5 percent in 2009. In 2009, the smoking rates in Canada and Australia were below 30 percent, while Sweden's was below 20 percent.⁶³ In comparison, China's total consumption of tobacco per capita increased by a factor of four from the 1950s to the 1990s!⁶⁴

Chinese anti-smoking advocates have made a point of emphasizing how strong tobacco control initiatives in developed countries have generated immediate and significant positive results. In the European Union, for example, the prevalence of smoking decreased from 33 percent in 2005 to 27 percent in 2007, and the sale of cigarettes decreased by 9.8 percent over the same two-year period.⁶⁵ In the United States, as a result of recent anti-smoking efforts made by Mayor Michael Bloomberg, the smoking prevalence rate in New York City dropped from 21.6 percent to 18.4 percent within two years, a decrease of about 200,000 smokers in the city.⁶⁶

By highlighting tobacco control achievements in other countries, Chinese anti-smoking advocates have made an unambiguous argument that China should do much more to reduce tobacco use in order to improve the public health of the population. It has been frequently mentioned in Chinese publications on tobacco control that China's smoking penetration rate (among 15-69 year-olds) was almost five percent higher (28.7

percent) than the global average (24 percent) in 2009-2010.⁶⁷ The fact that the Framework Convention Alliance, a global grouping of organizations devoted to tobacco control, twice awarded China (in 2008 and 2010) its Dirty Ashtray Award for its poor performance on tobacco control was not seen by Chinese public intellectuals as a Western conspiracy to demonize China, but rather as a wake-up call for the Chinese government to take action on the country's tobacco epidemic.⁶⁸

For Chinese anti-smoking advocates, there are simply no grounds for blaming China's own tobacco epidemic and other related problems on foreigners. After all, foreign tobacco companies have only garnered about 2 percent of China's market in recent years.⁶⁹ Hu Angang stated bluntly that the smoking epidemic is not only the "top killer" (*diyida shashou*), but also the "largest man-made calamity" (*diyida renhuo*) of 21st century China.⁷⁰ The disturbingly high prevalence of smoking along with some other intractable public health problems in present-day China has led Yanzhong Huang, a PRC-born American political scientist, to readopt the term "sick man of Asia"—which previously referred to China's struggle with opium addiction in the late Qing Dynasty—to describe the devastating situation currently afflicting public health in the Middle Kingdom.⁷¹

China's Tobacco Epidemic: Growing Awareness versus Enduring Ignorance

The above discussion illustrates that forces for and against tobacco use in China are in a crucial stage of contention and that both forces are highly mobilized to protect and advance their causes. This is perhaps most evident in an episode that occurred in the fall of 2011 when Xie Jianping, a researcher and Vice President at the Zhengzhou Tobacco Research Institute, was elected to become an academician of the Chinese Academy of Engineering (CAE), one of the most prestigious honorary academic bodies in the country. Xie's contribution, according to the CAE, was that he has succeeded in refining "low-tar cigarettes," even though the scientific community has been

able to show that the designation of cigarettes as “low tar” is little more than a marketing ploy by the tobacco industry, with so-called “low tar” cigarettes no safer than regular cigarettes. Article 11 of the WHO’s Framework Convention on Tobacco Control bans the use of terms that create “the false impression that a particular tobacco product is less harmful than other tobacco products.” Xie’s research has been long funded by the CNTC, of which the Zhengzhou Tobacco Research Institute is a direct affiliate. Prior to this honorary title, Xie had already been a three-time recipient of the Chinese government’s National Science and Technology Progress Award.⁷²

The Chinese media in general and the anti-smoking communities in particular were outraged over Xie’s election to the CAE. Critics, including officials in the Ministry of Health, held that this was not only an insult to Chinese academia, but also a grave instance of misinforming the public with “fake academic research” and with “false promises about low-tar cigarettes.” It is widely acknowledged within the world’s science and technology communities that “low-tar cigarettes” do not reduce health risks.⁷³ The notion of low-tar cigarettes, critics argue, is a strategy by the tobacco industry to promote the sale of tobacco. Xinhua News Agency also voiced criticism and cited comments by WHO officials in China on Xie’s election, stating that the “Chinese tobacco industry tries to mislead the Chinese public with such a false proposition.”⁷⁴

In the heated discussion that ensued within Chinese social media, Xie received the nicknames “Tobacco Academic” and “Killer Academic” who pursued research not only to “mislead the public,” but also to “more effectively kill people.”⁷⁵ Critics also called for an investigation of the alleged lobbying effort on the part of the CNTC for Xie’s election. At the same time, some government agencies (both at the national and local levels) and a few well-known scientists applauded Xie for his accession to the CAE and his “great contribution to China’s tobacco industry—a main source of revenue for the country.”⁷⁶

The strong support that Xie received from Chinese government officials and the tobacco industry should not come as a surprise. As some Chinese scholars reported, in 2006 Jiang Chengkang revealed that the STMA working group had spent four years researching how to work out “countermeasures” to fight the WTO’s FCTC and deal with the FCTC’s impact on the Chinese tobacco industry.⁷⁷ The STMA working group’s report argued that “cigarettes are legal products, and they should have reasonable space for being promoted.”⁷⁸ Two leaders of this working group, Zhou Ruizeng, director of Beijing Tobacco Monopoly Bureau, and Cheng Yongzhao, vice president of the Yunnan Tobacco Research Institute, straightforwardly noted in their report that given the great importance of its revenue contribution, China’s tobacco industry deserves its special status in the Chinese economy. They stated (without a hint of irony) that they “hope someday science will turn the notion that ‘smoking is harmful for health’ into ‘smoking is good for health.’”⁷⁹

Anti-smoking campaign advocates believe that promoting the notion that low-tar cigarettes are safer than regular cigarettes, an effort largely endorsed by the STMA, has become the tobacco promoters’ main strategy against tobacco control. In her recently published report, Yang Gonghuan found that each year since 2000, the STMA’s annual report has promoted the production of “high fragrance, low tar, low-risk cigarettes.”⁸⁰ This strategy has successfully helped to increase the consumption of cigarettes over the last decade. In 2009 alone, the STMA spent over 3 billion yuan on so-called low-tar cigarette research, completely violating the FCTC resolution that bans the use of the term “low-risk cigarettes” to mislead the public, especially consumers. A survey study in China in 2010 showed that 36 percent of smokers thought that the low-tar cigarettes meant lower harm to health.⁸¹

The Xie Jianping episode is simply the latest manifestation of the paradoxical development of tobacco control in present-day China—encouraging progress amid embarrassing setbacks,

growing public awareness coexisting with enduring ignorance about tobacco hazards.

REPORT'S OBJECTIVES, METHODOLOGY, AND ORGANIZATION

Arguably more urgent now than ever before, the bottom-up anti-smoking campaign in China should strategically “upgrade” by becoming more systemically engaged with the Chinese leadership and various levels and divisions of the government. This observation is in line with the main argument of the aforementioned evaluation report by Yang and Hu, which stated: “A serious absence of government responsibility is the fundamental reason for the inadequate effectiveness of tobacco control in China.”⁸² In the *2008 WHO Report on the Global Tobacco Epidemic*, WHO Director-General Margaret Chan pointedly argued that “The cure for this devastating epidemic is dependent not on medicines or vaccines, but on the concerted actions of government and civil society.”⁸³ As the forces of civil society have made impressive strides in China’s tobacco control over the past decade, it is reasonable to call on the Chinese leadership to take more serious steps in combating the tobacco epidemic.

The prevalence of tobacco use in China occurs in the context of complex intertwined webs of political power, commercial incentives, institutional and regional interests, social relationships, and cultural norms. An effective anti-smoking campaign must first clearly identify the stakeholders and factors that oppose tobacco control measures and then explore possible incentives and interventions with which it can persuade decisionmakers to support efforts to curtail tobacco use. It is essential for anti-smoking advocates to be aware of political dynamics within the national leadership and its internal divisions and interactions with bureaucratic institutions, local governments and various other interest groups in the tobacco industry. Unfortunately the existing academic and policy literature on the

Chinese tobacco industry and anti-smoking campaign offers very few insights into how to approach the Chinese leadership, how to take advantage of internal factional competition and the different policy inclinations of decisionmakers, and how to navigate the Chinese bureaucracies that relate to tobacco use and tobacco control.

This report is intended to develop strategic approaches for advancing the anti-smoking agenda in China by mapping the political and institutional landscape, as well as the main stakeholders, of the tobacco industry. The report places substantial emphasis on the personal backgrounds, policy positions, political networks, economic interests, regional power bases, business associations, and institutional affiliations of key figures at four levels of the leadership, namely, the top political leadership level, the national institutional level, the provincial level, and the tobacco company level.

Any major endeavor that hopes to deal with China's gigantic tobacco industry and its various stakeholders will naturally require an empirically well-grounded, multi-dimensional, and interdisciplinary assessment. This project adopts a variety of research methodologies, including archival research, review of official documents, statistical analysis, policy analysis, field research, case studies, cross-country comparisons, and interviews with government officials, industry spokespeople, NGO representatives, public health personnel, and scholars. It also includes a large number of charts and tables that present significant structural and analytical information and data, which will be valuable resources for further advocacy and research. All of the fieldwork for the study was conducted between March 2011 and February 2012, during which the author took four trips to China, conducting research primarily in Beijing, Tianjin, Shanghai, Kunming, and Yuxi.

The report consists of five chapters, including this introductory overview chapter. Chapter 2 is based on the premise that “political decisionmakers need to be convinced and persuaded

that tobacco control is in the best interest of their careers,” as the WHO’s 2004 report *Building Blocks for Tobacco Control* insightfully pointed out.⁸⁴ But this task is by no means easy due to various factors such as decisionmakers’ short-term vision and commercial interests, misperceptions about the nature of the country’s demographic, economic and socio-political challenges, and their poor understanding of public opinion. By highlighting the major crises in the making in the country on both the fronts of public health and economic sustainability, the chapter sheds valuable light on the question of why Chinese leaders should take the ongoing tobacco epidemic seriously. This discussion also helps bring to the fore the political incentives (or the political liabilities) that Chinese political elites have to support efforts to curtail tobacco production and consumption. Public health is essential to sustained economic development and socio-political stability at home and to China’s enhanced international image abroad.

Chapter 3 explores the anti-smoking campaign’s timely opportunity to gain support from several heavyweight politicians in the top leadership of the Chinese Communist Party—members of the current and upcoming Politburo and especially its Standing Committee. The importance of a commitment to tobacco control among the top leadership can hardly be overstated. The changing nature of Chinese elite politics, especially the new dynamics of factional tensions and strong incentives for developing new policy initiatives, as well as the growing importance of public opinion, has provided a new window of opportunity for political lobbying on the part of bottom-up movements. For the anti-smoking campaign, it is both desirable and feasible to mobilize top-level political leaders to make an anti-smoking initiative his or her hot button issue, thus serving as advocates for the integration of tobacco control into chronic disease prevention and overall public health improvement. The chapter provides valuable information about the idiosyncratic backgrounds of individual leaders and their incentives and restraints in promoting tobacco control policies.

A major obstacle to China's tobacco control lies in the inherent contradictions within the state apparatus. Not only does the STMA have dual roles as the regulator and operator of the tobacco industry in the country, but central government organs that have vast interests in the tobacco business are also responsible for China's FCTC implementation. The primary force in promoting and managing China's tobacco market is in fact the principal player in anti-tobacco coordination! Chapter 4 presents a structural and institutional analysis of the MIIT-led eight central government organs related to the "tobacco economy" and tobacco control. This discussion explores the inner workings of the Chinese tobacco bureaucracy and interest groups and provides clues for how the anti-smoking campaign might break through some of the institutional barriers in the way of tobacco control.

Chapter 5 examines two subnational levels of stakeholders in tobacco development using Yunnan Province and the Hongta Group as case studies. Tobacco is the biggest industry in Yunnan, where tobacco taxes make up nearly half of local government revenue. Given the enormous weight of the tobacco sector's revenue contribution in the province, any major policy change in Beijing on the tobacco industry often touches the most sensitive nerves of the Yunnan provincial government. This provincial level of approach explores topics such as central-local relations in terms of tax divides, local protectionism in the tobacco business, official corruption in the tobacco business, and scenarios of industrial diversification in the case of this major tobacco-production province. The Hongta Group in Yuxi City, Yunnan Province serves as a case study of the lowest level administrative entity in the tobacco industry. The Hongta Group, which was established in 1956 as a small-scale tobacco re-curing plant, has now transformed into a multi-provincial (and in fact multinational) modern enterprise—one of the world's largest tobacco factories with an annual production of 93 billion cigarettes. By reviewing the dramatic rise, fall, and rise again of the Hongta Group over the decades, this chapter reveals some essential ingredients for the

promotion of tobacco use such as political lobbying, tobacco advertisements, and industrial innovation.

The report concludes with a discussion of strategic recommendations for the anti-smoking campaign in China.



CHAPTER 2 - EMERGING HEALTH, ECONOMIC, AND POLITICAL CRISES: WHY CHINESE LEADERS SHOULD TAKE THE TOBACCO EPIDEMIC SERIOUSLY

Tobacco use is currently the world's leading preventable cause of death, and China is arguably the worst affected.⁸⁵ With China home to one-quarter of the earth's smokers, who together consume a third of the world's cigarettes, approximately 1.2 million tobacco-related deaths occur in China annually, and this figure is expected to increase to two million after 2020, and three million by 2050.⁸⁶ According to *The 2008 China Tobacco Control Report* released by the PRC Ministry of Health, if smoking prevalence is not drastically reduced in the years and decades to come, the accumulated tobacco-related death toll in China will reach 100 million by the middle of the 21st century!⁸⁷ One might expect these astonishing statistics—and the imperative to combat such a preventable cause of death—to spur Chinese leaders to take serious efforts to reverse this trend. Unfortunately, despite some degree of lip service paid, Chinese leaders have not been forthcoming with effective measures for tobacco control. This lack of action may largely stem from their mindsets and preexisting views and concerns. Unless and until anti-smoking advocates persuasively challenge these mindsets, China's decisionmakers will likely remain inactive.

There are three widely shared perceptions (or more precisely, misperceptions) among Chinese political elites regarding tobacco control. First, they believe that unlike some highly contagious diseases such as Avian flu that could immediately cause a large number of deaths and public panic, the health consequences of tobacco do not occur suddenly, but rather take about 10-20

years to develop.⁸⁸ This may be true for an individual smoker, but as a nation China simply cannot wait another 10-20 years to combat the tobacco epidemic. Empirical evidence highlighted in the chapter shows how enormously large and devastating China's smoking-related death toll has already become.

Secondly, Chinese political elites often believe that a strong tobacco control policy would be in direct conflict with the state's overall goal of economic development. The chapter uses economic statistics to show that because of both growing medical expenditures and the country's ongoing demographic transformation (i.e., becoming an aging society and facing an unprecedented labor shortage), it may cost more to treat people for smoking-related illnesses than the tobacco industry generates in profits and revenues.

Thirdly, Chinese leaders' reluctance to curtail tobacco development is also driven by a number of political considerations. Downsizing the tobacco industry means the reduction of jobs in various sectors of the tobacco industry, such as farming, manufacturing, and sales. They consider this job reduction to be politically very risky, especially at a time when the country faces serious pressure to forestall an increase in unemployment. Additionally, raising the cigarette consumption tax, which could reduce the prevalence of smoking, could also increase public resentment—especially among the country's vast body of low-income smokers—and consequently lead to social unrest. While these concerns are perhaps valid from the government's perspective, Chinese leaders overlook several other aspects of public resentment and factors that could trigger social unrest, including growing public awareness and interest in health issues.

One of the counter-arguments offered by supporters of tobacco control, for example, is that facilitating tobacco addiction is more socially destabilizing in the long-run, because it leads to sickness, death, and huge medical bills that the poorest segment of the population is ill-equipped to pay. This problem is particularly acute in light of the fact that the share of health

costs paid out of pocket by individuals (rather than the state) in China are very high.⁸⁹ While health costs are largely borne by individuals and their families, benefits may accrue to the government/state through tax and other revenues. One has to reformulate the cost-effectiveness computations in light of this important fact. The disjunction of costs and benefits between citizens and the government regarding tobacco development and public health may potentially cause serious political tension in the years to come.⁹⁰

SMOKING HAZARDS: AN ONGOING CATASTROPHIC HEALTH CRISIS

According to a number of public health experts, China is “in an early stage of a tobacco epidemic.”⁹¹ This is partly due to the fact that tobacco production and consumption in China is still on the rise, and partly due to what epidemiologists call the “lag effect” (*zhìhòu xiǎoyīng*) of smoking on health. This is in spite of the fact that even at this early stage of smoking’s impact on public health, its substantial death tolls have already become unbearable.

The estimated number of deaths from smoking-related causes rose over the past decade or so—from 500,000 in 1996 to 700,000 in 2002.⁹² According to Chinese official statistics, since 2005 approximately 1.2 million people per year in China have died of smoking-related diseases.⁹³ In other words, more than 3,000 people die every day from smoking-related causes. One in every eight male deaths in China is now caused by smoking-related health problems, and the ratio may rise to one in three by 2050.⁹⁴ Due to the high prevalence of smoking among Chinese males (54 percent), it is believed that if the trend continues, as many as “one third of all Chinese men now aged 29 or younger will end up dying prematurely from tobacco-related diseases,” according to some foreign analysts.⁹⁵ In China, as elsewhere in the world, the life expectancy of smokers is, on average, 15 years less than nonsmokers.⁹⁶ One can reasonably argue that no other health crisis in today’s world is more

disastrous than this. As Matthew Kohrman, a professor of anthropology at Stanford University, observes, in China “tobacco now kills 90 times more people each year than HIV/AIDS.”⁹⁷

Smoking is a direct cause of lung cancer. Approximately 87 percent of lung cancer cases are caused by smoking (including secondhand smoke).⁹⁸ Medical research shows that male smokers are 8 to 20 times more likely to develop lung cancer than nonsmokers.⁹⁹ China not only has the largest number of lung cancer patients in the world, but also has increasingly young lung cancer patients. Every five years, new patients diagnosed with lung cancer are on average one year younger.¹⁰⁰ Despite some improvements in early treatments and other medical developments, lung cancer mortality in China increased by 112 percent between the 1970s and the 1990s, and lung cancer’s rank (in terms of fatalities) among other cancers increased from 4th in the 1970s to 1st at the turn of the century.¹⁰¹ The PRC Ministry of Health estimated that by 2025 the number of Chinese citizens who die from lung cancer will be close to one million annually.¹⁰²

China’s smoking epidemic is even more alarming if one considers the rapid increase of non-communicable diseases (NCDs) in today’s world. According to a NCD surveillance strategy report released by the WHO, worldwide, NCDs “represent 43 percent of the burden of disease and are expected to be responsible for 60 percent of the disease burden and 73 percent of all deaths by 2020.”¹⁰³ According to a special report recently published by *The Washington Post*, 36 million people around the world die each year due to NCDs, which is about 63 percent of all deaths.¹⁰⁴ This number will continue to increase and most of this increase will be accounted for by NCD epidemics in newly industrialized and developing countries, largely because of the rapid increase in lifestyle-related risk factors associated with social and economic changes in an era of globalization and urbanization. The invasion of fast food chains, sugary drinks, physical inactivity, and urban pollution have significantly increased the occurrence of NCDs, such as

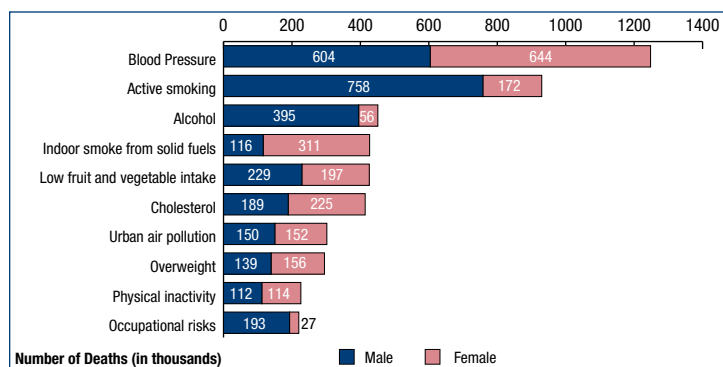
myocardial infarction, stroke, diabetes, and chronic obstructive pulmonary disease (COPD), which are the four leading causes of ill health at present. According to a recent World Bank NCD study, the burden of these four diseases is expected to increase by almost 50 percent from 2010 to 2030.¹⁰⁵ The study shows that China scored very poorly on this front: the mortality rate for strokes in China is 4-6 times higher than in Japan, the United States, and France. The mortality rate for COPD in China is 130.5 per 100,000, which is about 30 times higher than in Japan.¹⁰⁶ The study also notes that NCDs accounted for 80 percent of China's 10.3 million deaths resulting from illnesses in 2009.¹⁰⁷ The Chinese population is in "double jeopardy"—thanks to both long-standing health problems in developing countries (where a significant portion of the population is still poor) and new illnesses related to the increasingly affluent lifestyles of a growing middle class.

Chart 2-1 shows the top ten risk factors for mortality in China in 2000, based on the WHO world health assessment. Active smoking was the second greatest risk factor for mortality overall, causing 930,000 deaths that year, as well as being the No. 1 risk factor among men. Furthermore, smoking can indirectly increase the impact of other risk factors such as high blood pressure, cholesterol levels, and obesity. It is estimated that the number of NCD cases among the Chinese population over 40 years old "will double or even triple over the next two decades."¹⁰⁸

These pessimistic projections about the tobacco epidemic in China are also based on the fact that in today's China, tobacco use is not effectively controlled among adolescents. According to the 2008 report on tobacco control released by the PRC Ministry of Health, among all 130 million adolescents 13-18 years old in the country that year, 15 million were smokers, another 40 million attempted to smoke, and 65 million were exposed to second-hand smoke.¹⁰⁹ The Ministry of Health's *2007 Tobacco Control Report* showed that among the 540 million Chinese people who were exposed to the hazards of secondhand smoke, 180 million were children below the age of

fifteen.¹¹⁰ Equally disturbing, China's smoking population seems to be growing younger. According to official Chinese sources, the average age that one begins smoking fell from 22.4 in the 1980s to 19.7 years old in 2006.¹¹¹ The Chinese government, however, has been ineffective in addressing the problem. The Beijing municipal government, for example, had promised to fully implement the plan of smoke-free schools in the capital by 2011, but this was recently postponed four years.¹¹²

CHART 2-1: TOP TEN RISK FACTORS FOR MORTALITY IN CHINA IN 2000



Notes and sources: World Health Organization, *The World Health Report 2002*. Geneva: The World Health Organization, 2002. Quoted in Quan Gan, Kirk R. Smith, S. Katharine Hammond and Teh-wei Hu, "Disease Burden from Smoking and Passive Smoking in China" in Teh-wei Hu, ed. *Tobacco Control and Policy Analysis in China: Economics and Health*. Singapore: World Scientific Publishing Co., 2008, p. 91.

All of these astonishing statistics suggest that China confronts an unambiguous public health emergency, a fact which should be a wake-up call for the Chinese leadership. To reverse this ongoing catastrophic health crisis—to save millions of lives, especially children's lives—is not a policy choice, but a moral obligation and imperative of the Chinese government.

GROWING ECONOMIC BURDEN

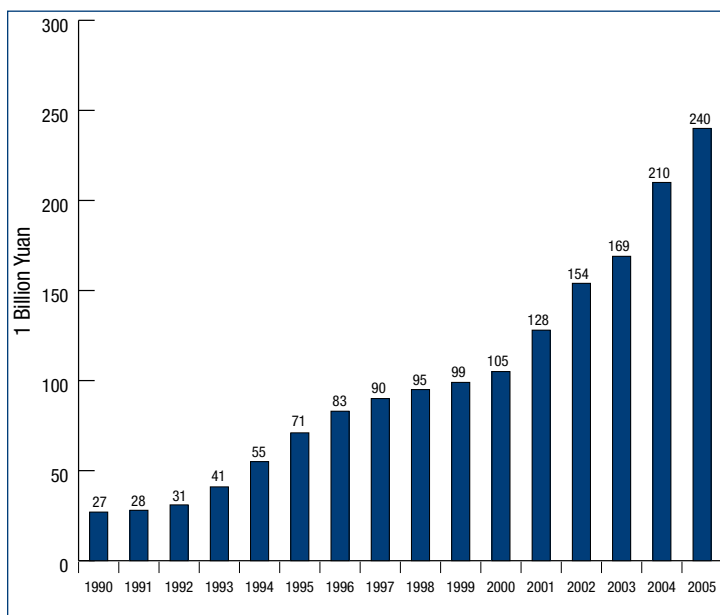
While Chinese public health workers often use the metaphor "coffin nails" (*guancai dingzi*) to describe the horrific impact of

the smoking epidemic on public health, those who work in the tobacco industry and some leaders at various levels of the government consider the tobacco business to be a “cash cow” (*yao-qian shu*).¹¹³ China’s tobacco industry has been a major taxpayer and contributor to government revenue over the past two decades, but the industry’s actual economic contribution to China’s development is increasingly debatable, especially when one considers the balance sheet between revenue generated from the tobacco industry being offset by medical expenditures spent on tobacco-related diseases and the associated loss of labor.

Chart 2-2 shows the rapid growth of tobacco’s contribution to government revenues through taxes and profits over the past two decades, from 27 billion yuan in 1990 to 240 billion in 2005. Thirty years ago, in 1982, the revenue of the tobacco industry was less than 10 billion yuan.¹¹⁴ An upward trend has continued over the past few years and the figure in 2009 (the latest year in which the data are available) was 530 billion yuan.¹¹⁵ Tobacco consumption tax income was also ranked one of the top three sources of the increase in consumption tax in 2010, with autos and precious jewelry as the other two top sources.¹¹⁶ The tobacco business has been very lucrative for the Chinese government, with annual profits up almost 20 percent every year between 2006 and 2010.¹¹⁷

But China’s health expenditures have also increased drastically over the past two decades: for example, they tripled between 2000 and 2009, with a 16 percent increase in 2008 and 20 percent increase in 2009, according to a World Bank study released in 2011.¹¹⁸ This means that the economic burden of smoking is increasing sharply. In general, the “economic burden of smoking comprises three components: direct medical costs of treating smoking related diseases, indirect morbidity costs of smoking, and indirect mortality costs of premature deaths caused by smoking-related diseases,” as defined by Hai-yen Sung and other economists.¹¹⁹ Using a broader definition, the indirect economic burden also includes loss of labor hours and income, damage by cigarette-caused fires, environmental pollution, etc.¹²⁰

CHART 2-2: TOTAL CIGARETTE REVENUES (1990-2005)



Notes and source: Hu Dewei (Teh-wei Hu), Mao Zhengzhong, Shi Jian, and Chen Wendong, *Zhongguo de yancao shuishou jiqi qianzai de jingji yingxiang* (China's tobacco tax and its potential economic impact). Paris: International Union Against Tuberculosis and Lung Disease, 2008, p. 18. For the original English version, see Teh-wei Hu, Mao Zhengzhong, Shi Jian, and Chen Wendong, *Tobacco Taxation and Its Potential Impact in China*. Paris: International Union Against Tuberculosis and Lung Disease, 2008. Tabulated by Cheng Li.

A study conducted by a team of economists led by Peking University Professor Li Ling observed that in 2005 the direct financial burden of smoking was 166.5 billion yuan, or about 0.91 percent of that year's GDP.¹²¹ If one added the indirect costs, which ranged from 86.6 billion yuan to 120.5 billion yuan, the total costs would be at least 253 billion yuan, accounting for 1.4 percent of the total GDP that year. This exceeded the revenue of the country's tobacco industry, which totaled 240 billion yuan.¹²² According to Li Ling, the negative benefits (*fu xiaoyi*) of the tobacco industry on the country's economic development then increased to 61.8 billion yuan (\$9.3 billion) in 2010.¹²³

Another study conducted by a Chinese scholar arrived at similar conclusions. Table 2-1 shows that the year 2000 was a turning point at which the medical and labor loss costs of tobacco use surpassed the economic profits from tobacco use. The Chinese media also reported the findings of a 2004 study that showed that China spent 48.6 billion yuan (12 percent of total medical expenditures) on the treatment of tobacco-caused illnesses, accounting for 46.3 percent of that year’s total revenues from tobacco (105 billion).¹²⁴ This is similar to the study by Teh-wei Hu and his colleagues, which found that the total economic cost of tobacco increased rapidly during that period, from US\$3.3 billion in 1989 to US\$5 billion in 2000.¹²⁵

According to the study by Teh-wei Hu’s team, medical expenses due to smoking have increased the poverty level of the Chinese population by 1.5 percent in cities (5.8 million people) and 0.7 percent in rural areas (6.3 million people). In addition, due to tobacco consumption, there has been a 6.4 percent increase of poverty in the urban population (24.7 million) and

TABLE 2-1: THE BALANCE SHEET: THE MEDICAL AND LABOR-LOSS COSTS OF TOBACCO USE AND ECONOMIC PROFITS FROM TOBACCO USE (1998-2010)
UNIT: 1 BILLION YUAN

Year	Medical and Labor-loss Costs of Tobacco Use	Economic Profits from Tobacco Use	Net Profit
1998	98.2	102.7	4.5
1999	104.7	106	1.3
2000	117	114	– 3.0
2001	126.6	125.1	– 1.5
2010*	251.6	238.3	– 13.3

Notes and Sources: *The year 2010 is an estimate. Medical and labor-loss costs of tobacco use include medical expenditures, production loss due to mortality and morbidity, and external costs. Tao Ming, *Zhuanmai tizhixia de Zhongguo yancaoye: lilun, wenti yu zhidu biange* (China’s tobacco industry under state monopoly: Theories, issues and institutional reforms), Shanghai: Xuelin chubanshe, 2005, pp. 149-150.

a 1.9 percent increase in the rural population (11.7 million). But if the prevalence of smoking were to decrease by half, 28 million people in the country could move out of poverty.¹²⁶ In November 2011, the Chinese government raised the poverty line substantially from an annual income of 1,274 yuan for rural poverty to 2,300 yuan, an increase of about 80 percent.¹²⁷ The population below the poverty line in China has thus increased fourfold, from 26,880,000 to 128,000,000. Chinese scholars pointed out that the new standard more accurately reflects the status of poverty in China. As Chinese authorities have become increasingly concerned about how to combat the persisting issues of economic disparity and rural poverty, they need to pay greater attention to the correlation between smoking and poverty.

Arguably, a more daunting challenge for the Chinese leadership in terms of the growing financial costs of tobacco consumption and its negative impact on the Chinese economy is the fact that China is rapidly becoming an aging society. The country will soon shoulder a heavy burden of social welfare costs and rapidly increasing medical expenditures. According to a study conducted in 2004, those aged 60 or above comprised roughly 12 percent of China's total population that year, and by 2020 that number is projected to increase to roughly 17 percent (about 243 million people).¹²⁸

Using a more standard demographic definition, a country can be characterized as an aging society when people aged 65 or above make up 7 percent or more of the total population. In 2000, China became the first developing country to fit that definition of an aging society. As of 2009, 8.5 percent of the Chinese population was 65 or older.¹²⁹ According to Hu Angang's recent study, the population aged 65 or above had increased from 48.8 million in 1982 to 113.5 million in 2009, and its "average annual growth rate of 3.2 percent was much higher than the growth rate of the total population (1 percent)."¹³⁰ The aged population is expected to reach 330 million, or 23.3 percent of the population, by 2050.¹³¹

Meanwhile, the one-child family generation—comprising approximately 156 million only children under the age of 30 at present—have reached marriageable age and will have to take on primary responsibility for both their families and their country in a decade or two.¹³² Many demographers studying China both at home and abroad seem to agree that the demographic dividend (a disproportionate number of working-age people) that has served China so well will begin to fade around 2015, a shift that will undoubtedly have an impact on the country's economic growth.¹³³ Even during the past few years, China's coastal region has already witnessed a serious labor shortage and as a result, labor costs have increased substantially.¹³⁴

China's rapidly aging society will have profound implications for both the Chinese economy and public health. The modes of Chinese economic growth, especially labor-intensive growth, will have to change. China's expenditures on public health will increase substantially. It should be noted that China's expenditures on public health have long been inadequate: as a country with over 20 percent of the world's population, China's health care expenditures have accounted for just 1 to 3 percent of the world's total.¹³⁵ But the projected future medical expenditures for the country may become unbearably demanding. According to a recent study released at the 2011 United Nations Summit on the global public health situation, between 2006 and 2015 China will lose slightly more than half a trillion dollars in national income because of heart disease, stroke, and diabetes.¹³⁶

The tobacco epidemic will undoubtedly create enormous health care costs and labor loss in the country, putting a tremendous burden on an economy already in the midst of a profound demographic transition. The rapidly rising cost of smoking-related medical care and the loss of productivity should urge China's policymakers to recognize the negative economic and social consequences of promoting cigarettes. It is crucial that Chinese leaders think hard and imaginatively about how to transform the tobacco industry. This, of course,

will take much time and require coordination among various players and stakeholders. The following chapters will include a more detailed discussion of this issue. But the change in mindset on the part of the leadership, especially the highly misleading and one-sided perception of tobacco as a “cash cow” and major contributor to the Chinese economy, is a prerequisite for policy change.

SOCIOPOLITICAL STABILITY AND PUBLIC HEALTH SECURITY

For Chinese leaders, sociopolitical stability has always been a top priority, and is becoming even more crucial now that China faces a multitude of daunting domestic problems. In recent years, the Chinese government has been beset by growing economic disparity, a property bubble, inflation, frequent instances of social unrest, repeated industrial and environmental disasters, and ethnic tensions. For example, the annual number of mass incidents (*qunti shijian*) in the country, including protests, riots, and group petitioning, rose from 58,000 in 2003, to 74,000 in 2004, to 87,000 in 2005, to 127,000 in 2008, and to 180,000 in 2010—almost 500 incidents per day!¹³⁷

These public protests are due to a number of factors, including rampant official corruption, social dislocation, political injustice, lack of work safety or job security, inadequacy of consumer rights, and problems of internal migration. On the part of the government, the financial cost of “maintaining social stability” (*weiwen*), primarily through the police force, has become astonishingly high. For example, in 2007 Guangzhou spent as much as 4.4 billion yuan on its police force, a figure that exceeded the total cost of the city’s social welfare spending (3.5 billion yuan).¹³⁸ Nation-wide, according to a recent Tsinghua University study, the total amount of money used for “maintaining social stability” in 2009 was 514 billion yuan, almost identical to the China’s total national defense budget that year (532 billion yuan).¹³⁹

As for tobacco use, the Chinese leadership tends to maintain or even promote tobacco production, eager to safeguard the jobs of the significant numbers of employees in farming, sales, and other related businesses. Officials regard a proposed increase in the cigarette consumption tax, which could reduce the prevalence of smoking, as politically risky because of its potential to stoke resentment and provoke social unrest, especially among the country's vast body of low-income smokers. As sociopolitical pressures all seem to be on the rise among various socioeconomic groups, the smoking population may actually continue to increase rather than decrease. Based on this view, any tobacco control policy is unpopular. At the annual meeting of the NPC in March 2007, Deputy Director of STMA Zhang Baozhen opposed the smoking ban proposed by delegates. He stated bluntly: "We attach great importance to the notion that smoking is harmful to health, but the absence of cigarettes will undermine the stability of the country."¹⁴⁰

Zhang Baozhen and other like-minded Chinese officials, however, might have failed to understand that public health related crisis are often (and the most likely) triggering factors of sociopolitical unrest in China now and likely into the future. This might also explain why the Chinese social media ranked Zhang's above (now very famous) quote as one of the "top ten laughingstocks" of China in 2007.¹⁴¹ Zhang was criticized by the Chinese public for implicitly arguing that the Chinese government should sacrifice public health security for sociopolitical stability. It may not be an exaggeration to state that China is at an increasing risk of disease outbreaks, epidemics, inadequacy of public health care, food safety crises, and other health emergencies, which can rapidly become threats to sociopolitical security.

Health-related issues and public outrage over polluted air, water, food, and drink have become increasingly central concerns among Chinese citizens. According to official sources at the PRC Ministry of Environmental Protection, there were 51,000 pollution-related protests in 2005, up 30 percent per year since 2002.¹⁴² On average, one environmental accident occurred

every two days and there were 600,000 environment complaints in 2006.¹⁴³ A telling example is the recent visible public resentment (often escalated through new social media) against the government for the worsening air pollution in Beijing and the authorities' failure to meet basic international standards of air pollution monitoring.¹⁴⁴

Over the past few years, many widely publicized mass protests in China were prompted by concerns over public health. Examples included the following:

- In 2011, more than 1,000 residents of Haimen, in Shantou City, Guangdong Province, were furious with the local authorities' plans to build a coal-fired power plant. Protesters smashed and overturned police cars, riot police responded by firing tear gas, and the confrontation lasted for ten days.¹⁴⁵
- In 2011, in the northern city of Dalian (and in 2008 in the southern city of Xiamen) tens of thousands of residents went on a protest walk to oppose a factory that would produce paraxylene (PX), a benzene-based chemical widely used in plastic bottles. In both cases, the municipal government was eventually forced to move the factory out of the city.¹⁴⁶
- In 2009, hundreds of residents in a town in eastern Fujian Province protested against a battery factory's pollution, which was believed to have caused excess lead levels in the blood of numerous local children.¹⁴⁷
- In 2009, a group of Chinese lawyers filed a lawsuit against 22 dairy companies to seek compensation for the deaths of six children and the illnesses of 300,000 who consumed milk products tainted with melamine, a toxic chemical.¹⁴⁸ Due to this poisoned milk scandal, several ministerial, provincial, and municipal leaders were fired and a number of executives of the companies were sentenced to lengthy jail terms.

China has witnessed neither a major anti-smoking mass protest nor a nationwide publicized lawsuit against the tobacco industry largely because PRC courts have refused to accept them.¹⁴⁹ Yet, Chinese public opinion has become remarkably supportive of tobacco control and smoking bans in public places.

In 2006 the China Center for Disease Control and Prevention conducted an opinion poll about smoking in seven cities (Beijing, Shanghai, Guangzhou, Changsha, Zhengzhou, Yinchuan, and Shenyang). The survey found that even among smokers, 93.5 percent supported a total ban on smoking in schools, 75.5 percent supported a total ban in hospitals, and 94.3 percent supported a total ban on public transport. Among non-smokers, 95.1 percent supported a total ban in schools, 78.1 percent supported a total ban in hospitals and over 93.8 percent supported a ban on public transport. Also, 84.7 percent of non-smokers supported a total ban in meetings, 57 percent supported a total ban in offices, and 41.5 percent supported a total ban in restaurants and bars—numbers about 8-18 percent higher than those of smokers.¹⁵⁰

Table 2-2 presents the findings of a Chinese opinion survey conducted by the China CDC and supported by the Bloomberg Foundation in 2007. It shows that a large majority of those who were surveyed favored the ban on smoking in hospitals, schools, and transportation. More than half of the respondents in all groups surveyed supported the ban in offices.

Another survey of smokers conducted in 2010 showed that 90 percent of them know that cigarettes are harmful for health, 60 percent were interested in quitting, and almost 50 percent planned either to quit or reduce smoking within a year.¹⁵¹ In 2009, the research team led by Hu Angang and Hu Linlin at Tsinghua University conducted a poll in China's 18 cities with similar results: 97.2 percent of respondents believed that smoking, to varying degrees, threatened public health.¹⁵² Also, 94 percent of respondents believed that adolescents' smoking had already become a serious social problem in China.¹⁵³

TABLE 2-2: SUPPORT FOR THE BAN OF SMOKING IN PUBLIC PLACES BY GROUP (2008)

Unit=%

	Hospitals	Schools	Offices	Transportation	Restaurants	Bars
Doctors	82.9	92.9	77.1	89.8	54.2	37.3
Medical Staff	71.9	86.7	73.9	88.7	48.8	37.0
Patients	80.6	89.5	64.1	79.7	42.5	30.7
Teachers	90.8	78.6	76.2	91.7	60.8	39.9
Students	90.3	77.2	71.9	83.3	60.7	36.1
Officials	87.7	90.2	52.6	89.6	41.1	29.3
Service Personnel	81.2	86.2	50.4	75.3	27.3	16.5
Average	85.7	84.9	67.6	84.4	49.7	32.2

Note and Source: Bloomberg Tobacco Control Project in China. Yang Gonghuan, “Zhongguo renqun yancao shiyong de liuxing tedian he bianhua qushi” (The prevalence of Tobacco Use in the Chinese Population: Characteristics and Trends). In Hu Dewei (Teh-wei Hu) and Mao Zhengzhong, eds, *Zhongguo yancao kongzhi de jingji yanjiu* (Economic research on China’s tobacco control), Beijing: Jingji kexue chubanshe, 2008, p. 19.

A majority of respondents (91.7 percent) were concerned about the hazards of secondhand smoking at home, in offices, or in public places. An especially interesting finding is that 87.1 percent of respondents favored an increase in the tobacco consumption tax, which was even higher than similar polls conducted in the United States in 2002-2007, in which about 71-79 percent of respondents favored such a increase.¹⁵⁴ It was most remarkable to note that among the Chinese smokers surveyed, 80.5 percent also supported an increase in the tobacco consumption tax.¹⁵⁵

Both the increasing number of mass protests related to public health insecurity and the growing public sentiment about the hazards of smoking should send a strong message to Chinese

decision makers. Health security is crucial to the well-being of individuals, social groups, and the country as a whole. This chapter's earlier discussion of the devastating tobacco epidemic and increasingly unbearable economic burden of tobacco use should reinforce a sense of urgency on the part of the Chinese government to reassess the notion of the tobacco economy and the effectiveness of their policies on tobacco control.

China today is no stranger to crisis. At a time when the country confronts multi-dimensional transformations in its economy, political system, society and demography, the CCP leadership has to live from crisis to crisis. The tobacco epidemic, however, combines crises in health, economics, and politics in an enduring and devastating way. If the Chinese leadership is to secure its vital interests in maintaining economic well-being and socioeconomic stability, it must better understand the negative consequences of tobacco use in the country. Public health should not take a back seat to the realm of high politics. Instead, it is a critical aspect of governance and a potentially contentious issue of leadership politics.



CHAPTER 3 - LEADERSHIP POLITICS AND TOBACCO CONTROL: UNPRECEDENTED OPPORTUNITIES

“An optimist sees an opportunity in every calamity; and a pessimist sees a calamity in every opportunity,” Winston Churchill once said. Across the generations China’s top leaders have often displayed a sense of optimism—and remarkable political wisdom—by finding opportunities in calamities. For Mao Zedong, the core leader of the first generation of the CCP, the Japanese invasion and rampant corruption of the Nationalist Party in the 1930s and 1940s helped consolidate the power and influence of the Communist movement and eventually led to the founding of the PRC. For Deng Xiaoping, the core leader of the second generation, the catastrophic Cultural Revolution paved the way for his reemergence as paramount leader in 1978. Deng profoundly changed the course of Maoist autarkic development, taking China in a new direction of domestic economic reform and opening to the outside world. For Jiang Zemin of the third generation, the dark shadow of the 1989 Tiananmen incident provided him with the incentive and rationale to recruit new blood—economic entrepreneurs and cultural elites—into the political establishment. Jiang thus successfully broadened the power base and legitimacy of the ruling party (as well as his own). For Hu Jintao of the fourth generation, the SARS epidemic in 2003, a devastating health crisis that took place in the first few months of his administration and paralyzed China’s urban life, proved to be a great opportunity to exhibit his leadership skills. Hu quickly moved out of his predecessor Jiang Zemin’s shadow and emerged as a populist leader.

China is set to undergo another generational turnover in party and state leadership, respectively, at the 18th National Congress of the Chinese Communist Party (fall 2012) and 12th National People's Congress (spring 2013). It is expected that seven out of the nine current members of the CCP Politburo Standing Committee, the country's supreme decisionmaking body, including President Hu Jintao, Premier Wen Jiabao, and NPC Chairman Wu Bangguo, will step down as a result of retirement age rules. After 2012-13, the principal figures responsible for the country's political and ideological affairs, economic and financial administration, social welfare, public security, foreign policy, and military operations will be mostly new to their positions. This so-called fifth generation is likely to be led by two remaining Standing Committee Members—current PRC Vice President Xi Jinping and current Executive Vice Premier Li Keqiang—but the exact line-up of leadership posts isn't set in stone because of the growing trend of collective leadership and increasingly dynamic competition among competing factions.

It is perhaps too early to assess whether the new top leaders will be optimists or pessimists. However, as has happened several times in PRC history, new leadership often leads to new policies. Analysts of Chinese politics have begun to speculate about the potential for significant changes to the country's political direction and socioeconomic priorities. The new leadership will be confronted by many pressing challenges, including how to change China's model of economic growth, the impact of climate change, resource constraints, the monopoly and meteoric growth of state-owned enterprises (some at the expense of the private sector), economic inequalities and corruption that threaten to be destabilizing, and the effective integration of a large number of new entrants into urban China. This is a significant list of enormously perplexing issues to be handled by a new and relatively weak national leadership.

Although these upcoming leaders will probably not be inclined to depart from the positions of their predecessors until

they have solidified their authority, it is already evident that both Xi and Li wish to pursue new policy priorities (e.g., further market liberalization for Xi and the promotion of clean energy for Li).¹⁵⁶ Other power contenders in the fifth generation have sought to differentiate themselves from their fellow competitors by targeted advocacy for certain policy objectives—whether this be affordable housing, social welfare reform, a higher minimum wage, anti-corruption, urban security, transportation safety, environmental protection, government accountability, or inner-party democracy.

The importance of political commitment among the top leadership to any prospect of bringing about real tobacco control can hardly be exaggerated. As Anita Lee and Yuan Jiang insightfully observe, without the investment of significant resources by the Chinese political leadership, tobacco control on the part of the government “will languish in empty words.”¹⁵⁷ Smoking control legislation and coordination among governmental agencies at all levels will likely be ineffective. The Xinhua News Agency, China’s official mouthpiece, stated candidly in 2011 that the lack of a breakthrough in China’s battle against tobacco use is due to the following four major barriers: “a lack of state-level legislation, ineffective administration, low-priced cigarettes and a deep-rooted tobacco culture.”¹⁵⁸ Three of these four barriers are related to the Chinese leadership and its inaction.

THREE SITUATIONAL FACTORS WITHIN THE TOP LEADERSHIP RELATING TO TOBACCO USE

It is unclear how much weight issues of public health security in general and tobacco control in particular will carry in the overall agenda of the new leadership. At present, tobacco control and the smoking epidemic are not major issues in high-level politicking. No Politburo-level Chinese politician has yet attempted to make anti-smoking initiatives his or her hot button issue. But there are three extraordinary situational factors

related to the Chinese top leadership that could potentially promote more successful tobacco control efforts.

First, none of the current nine members of the CCP Politburo Standing Committee is presently a smoker. At the next level of the top leadership, the 25-member Politburo, only five (20 percent) are smokers, and they rarely smoke in public, in sharp contrast to previous top Chinese leaders such as Mao and Deng. Apparently, the country's cultural and political norms in terms of senior leaders' smoking habits and public views of them have changed profoundly.

Secondly, Vice President Xi Jinping's wife, Peng Liyuan, has served as an "Anti-Smoking Ambassador" for the China Association on Tobacco Control since 2009, along with basketball star Yao Ming and other Chinese celebrities. Peng is a famous Chinese folk singer who serves in the People's Liberation Army (PLA) at the rank of major general. Peng has also served as a spokeswoman for a public awareness campaign against the stigmatization of HIV/AIDS patients.

Thirdly, in contrast to the popular endeavors of Xi's wife, Executive Vice Premier Li Keqiang's brother, Li Keming, has served as Deputy Director of the STMA since 2003. In fact, Li Keming has worked in the tobacco industry for the past three decades. This is particularly ironic as Li Keqiang has been in charge of China's public health since 2008.

Although some or all of these situational factors are perhaps accidental, they nevertheless reflect some of the broader changes in political norms, elite behaviors, the leadership structure, governance mechanisms, and factional dynamics of Chinese politics. Never before has one seen such an extraordinary display of behavioral changes in the top Chinese leadership regarding smoking on the one hand, and subtle but significant tensions among heavyweight power contenders about tobacco use on the other. All of these situational factors and the governance changes that they reflect may significantly

affect the campaign for tobacco control in the near future. A thoughtful analysis of leadership politics and its relevance to tobacco control can help the anti-smoking campaign develop a sharper focus—a strategic roadmap—with which one can grasp the inner workings of the Chinese political system.

CHANGING ELITE NORMS AND BEHAVIORS

Cultural and political norms in contemporary China have generally defined smoking as a sign of masculinity. Central to this widespread perception is the fact that top Chinese leaders—founders of the PRC—were almost all heavy smokers, including Mao Zedong, Liu Shaoqi, Zhou Enlai, and Deng Xiaoping. Well-known photos of these top leaders smoking and/or exchanging cigarettes not only reinforced the connection between smoking and masculinity, but also made smoking a sign of majesty, authority, wisdom, and power.¹⁵⁹

Both Mao and Deng were reported to smoke an average of 50 cigarettes per day, and were often characterized by Chinese tobacco promoters as two of “the world’s four top avid smokers” (along with Winston Churchill and Joseph Stalin).¹⁶⁰ Although both Mao and Deng quit smoking in the final years of their lives, they were probably the most effective promoters of smoking in PRC history. Propaganda images of Mao—one of the most common sights in China during his 27-year rule (from 1949 until 1976)—frequently showed him smoking.¹⁶¹ The longevity of Mao and Deng, who lived to be 82 and 92, respectively, has often been used by tobacco promoters to dismiss the health hazards of smoking.

On a number of widely publicized occasions, Deng denied the harm of smoking to health and took steps to boost tobacco production and consumption. In 1974, when he met with a U.S. congressman, Deng explained that the Ministry of Health wanted to control tobacco use while the Ministry of Finance wanted to promote cigarette production. In Deng’s words,

“the dispute between these two ministries probably could not be resolved for 100 years and beyond!”¹⁶² In the summer of 1980, when he met with George H. W. Bush, then the Republican Party’s vice presidential candidate, Deng told the guests that “my wife Zhuo Lin has never smoked, so she is *not* in good health.”¹⁶³ In 1980, when a Japanese friend suggested that Deng should quit smoking, Deng replied bluntly “I heard that smoking does have many advantages.”¹⁶⁴ Not surprisingly, Deng’s above remarks have been widely referred to or quoted in Chinese tobacco museums in places like Shanghai and Yuxi and on the front-pages of many Chinese tobacco companies’ websites. It should be noted that the Chinese tobacco industry was on its knees at the end of the Cultural Revolution, with output at record low levels. Deng made a conscious decision to revive it in order to use tobacco taxes to bankroll China’s economic modernization.¹⁶⁵

Another widely reported incident concerning Deng and smoking, however, has had a more positive impact on the anti-smoking campaign. On April 7, 1988, the first “World No Tobacco Day,” Deng was seen smoking in the presidium of the meeting of the NPC at the Great Hall of the People in Beijing. A delegate from Guangdong Province, the famous Cantonese actress Hong Xiannu, submitted to Song Ping, the chairman of the session, a note that stated: “Comrade Xiaoping, please do not smoke in the presidium.” Song passed this note to Deng, who read it and reportedly acquiesced to the request.¹⁶⁶

In the post-Deng era, senior Chinese leaders are hardly ever seen smoking in public, as some journalists in Beijing have observed.¹⁶⁷ Jiang Zemin, who is a non-smoker, made an important contribution to tobacco control in China with his enthusiastic participation in the 10th World Conference on Tobacco or Health hosted in Beijing in August 1997. More than 1,800 delegates from 114 countries or regions attended the conference. Jiang’s remarks at the opening ceremony “underscored the enormity of the public health crisis of smoking in China.”¹⁶⁸ The contrast between Mao and Deng on the one hand

and Jiang and more recent generations of leaders on the other hand regarding tobacco use is not just about the differences in their personal habits, nor does it only reflect the changing conceptions of “civilized manners” (*wenming xingwei*). In Deng’s era, smoking was considered cosmopolitan. By the late Jiang years, smoking was seen as less “civilized.” It shows the growing awareness among both elites and the public about the health hazards of smoking. From a broader perspective, it reveals a major change in governance structure and mechanisms in China.

FROM STRONGMAN POLITICS TO COLLECTIVE LEADERSHIP: CHANGING STRUCTURES OF GOVERNANCE

Over the past three decades, China has been gradually moving away from rule by a single, charismatic, all-powerful leader such as Mao Zedong and Deng Xiaoping in favor of a collective form of leadership. This transformation has ended the era of strongman politics and, to a certain extent, China’s long history of arbitrary decision-making by a lone individual. This transition, of course, has been a gradual process. Mao Zedong wielded enormous power as a god-like figure, especially during the Cultural Revolution. Mao routinely made major policy decisions alone, e.g. launching the Great Leap Forward and the Cultural Revolution. During the Deng era, as a result of his legendary political career and his formidable patron-client ties, Deng’s reform initiatives—such as establishing special economic zones and sending students to study in the West—were carried out without much resistance. Deng maintained his role as China’s paramount leader even when he did not hold any important leadership position following the Tiananmen incident. Both Jiang Zemin in the third generation and Hu Jintao in the fourth generation are technocrats who lack the charisma and revolutionary credentials of Deng, but both have had broad administrative experiences and are good at coalition-building and political compromise. To a great extent, Jiang and Hu are no more than “first among equals” in their

respective generations of collective leadership. Nevertheless, both Jiang and Hu were endorsed by Deng.

The profound shift in the source and legitimacy of leadership is even more salient for the emerging fifth generation of leaders. At the start of their tenure, this upcoming generation of leaders like Xi Jinping and Li Keqiang, due to their lack of previous achievements, their identity as a dual-successor pair rather than single successor, and growing constraints from factional politics, are even weaker than their predecessors and thus have to rely more on the collective leadership when making major decisions. In line with this development, Chinese authorities have placed increasing emphasis on “collective leadership,” which the 2007 Party Congress Communiqué defines as “a system with division of responsibilities among individual leaders in an effort to prevent arbitrary decision-making by a single top leader.”¹⁶⁹

Organizational Structure of the Chinese National Leadership: The Party and the State

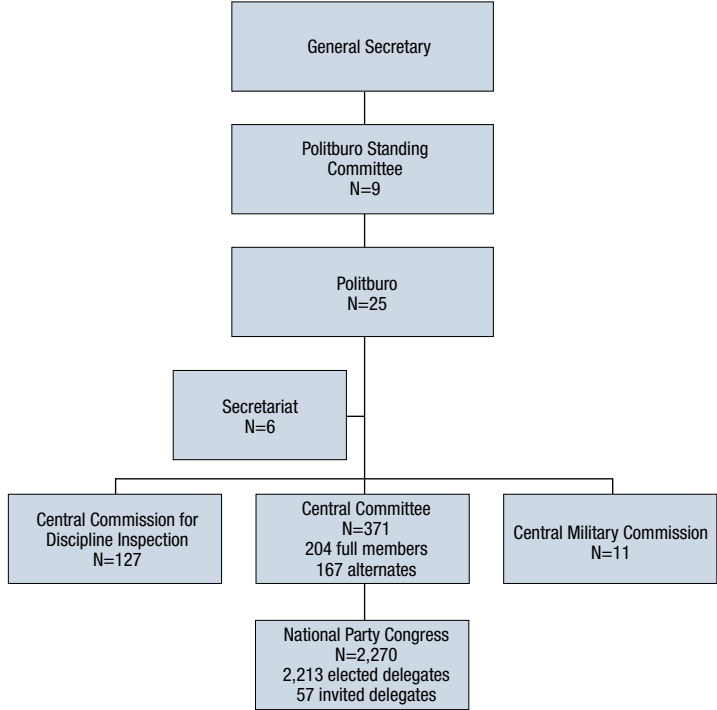
In this new era of collective leadership greater attention should be paid to the political structure and its operating mechanisms. The defining characteristic of the Chinese political system is the party-state, which means that the CCP plays the constitutionally guaranteed “leading role” in the state and society and has the power to command the government. By design, top CCP leaders have always held the most important positions in the state (or government) concurrently, including president of the PRC, premier of the State Council, the chairman of the NPC (the legislature of the PRC), and chairman of the Central Military Commission (CMC).¹⁷⁰

Two important observations can be made regarding the party-state structure in present-day China. First, the party has the power to make all of the state’s most important personnel and policy decisions. Second, notwithstanding the party’s leading decisionmaking role, many important policy discussions, as well as most activities relating to policy implementation, usually take

place in or through government institutions, not CCP organizations. For any major effort to adopt or change socioeconomic policies in China, such as anti-tobacco initiatives, one must take the following considerations into account: first, one should not lose the big picture understanding that any major decision is ultimately made by the CCP's top leadership. Second, at the same time, one should also create a specific matrix to focus on individual leaders in both the party and the government who are responsible for a given functional area, including the structural context of political leadership and business operations. Before formulating such a matrix for the anti-tobacco campaign, it is essential to grasp the basic structure and elite selection procedure for the CCP leadership and the PRC government as well as the complex relationship that exists between them.

Chart 3-1 presents the organizational structure of the CCP at the national level, using data on the 17th (current) National Congress of the CCP as an example. The National Congress of the CCP, which convenes for about two weeks once every five years, is the most important political convention in the country. The party congress delegates (currently numbering 2,270) elect the Central Committee (currently 371 members) and the Central Commission for Discipline Inspection (127 members).¹⁷¹ In theory, the Central Committee then elects the general secretary of the CCP, the Politburo Standing Committee (9 members), the Politburo (25 members), the Secretariat (6 members), and the Central Military Commission (11 members). In practice, however, the process is top down rather than bottom up: members of these leading Party organs guide the selection of members of the lower-level leadership bodies such as the Central Committee, which then “approves” the slate of candidates for higher-level positions such as the next Politburo and its Standing Committee. To call the Central Committee’s selection of the Politburo an election is something of a misnomer. Members of the Politburo are actually selected by the outgoing Politburo Standing Committee and a handful of retired top leaders. This largely opaque process involves complicated factional deal-making and compromises.

CHART 3-1: THE ORGANIZATIONAL STRUCTURE OF THE CHINESE COMMUNIST PARTY (2007-2012)



Note and Source: Cheng Li, “China’s Communist Party-State: The Structure and Dynamics of Power,” in William A. Joseph (ed), *Politics in China*. New York: Oxford University Press, 2010, p. 167.

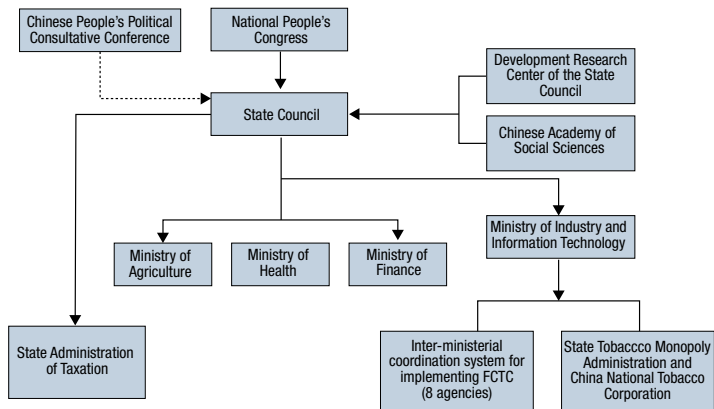
In terms of leadership function, the Secretariat is an important leadership body that handles the Party’s routine business and administrative matters. The Politburo has a broader representation, including all of the most important bureaucratic constituencies and geographical regions. Among the twenty-five members of the current Politburo, seven primarily represent Party organizations, ten come from government organizations, two from the military, and six from province-level administrative entities (Beijing, Shanghai, Tianjin, Chongqing, Guangdong, and Xinjiang). Nothing is more crucial than the formation of China’s “group of nine”—the nine members of the Po-

litburo Standing Committee (PSC) of the CCP.¹⁷² Within the PRC, a new Chinese term, *jiuchangwei*, was recently created to refer exclusively to these nine political heavyweights.¹⁷³ The composition of the PSC – especially its members’ generational attributes and idiosyncratic characteristics, group dynamics, career backgrounds, policy preference, and the factional balance of power on the committee – will have profound implications for China’s future trajectory.

Chart 3-2 demonstrates the organizational structure of the PRC national government, using the cigarette tax policy framework as an example. Just as the National Congress of the CCP elects party leaders every five years, the National People’s Congress (nearly 3,000 delegates) elects a new state leadership at a meeting in the same duration, usually held in the spring of the year following the party congress. As China’s legislature, the NPC is constitutionally entitled to elect the president and vice president of the PRC. The body is also empowered to approve the premier, who is appointed by the president, as well as the other members of the State Council. In reality, however, the CCP Organization Department, under the guidance of the PSC, prepares the list of all nominees. This lack of competitiveness notwithstanding, it is an interesting and fairly recent phenomenon that NPC delegates sometimes vote against cabinet ministers in the confirmation process. The work of the NPC has also become more substantive in terms of drafting laws and regulations and providing a venue for policy debate, even though it still largely remains under CCP control.

Parallel to the NPC, there is a national political advisory body, the Chinese People’s Political Consultative Conference (CPPCC), which consists of over 2,000 members who represent a wide range of constituencies, including the CCP, China’s non-communist “democratic parties,” official mass organizations (such as the All-China Women’s Federation), various occupational “circles” (such as artists and writers, educators, medical and health personnel, and farmers), ethnic minorities, and religions. Although the majority of members of the CPPCC are

CHART 3-2: THE ORGANIZATIONAL STRUCTURE OF THE PRC GOVERNMENT (EXAMPLE OF CIGARETTE TAX POLICY FRAMEWORK)



Notes and source: Hu Dewei (Teh-wei Hu), Mao Zhengzhong, Shi Jian, and Chen Wendong, *Zhongguo de yancao shuishou jiqi qianzai de jingji yingxiang* (China's tobacco tax and its potential economic impact). Paris: International Union Against Tuberculosis and Lung Disease, 2008, p. 15. Modified and updated by Cheng Li.

non-communists, the organization is bound by its charter to accept the leadership of the CCP, and its head has always been a high-ranking party leader in the PSC.

The State Council is China's cabinet, which is the highest organ of government administration and the executive organ of the NPC. The State Council reports to the PRC president, submits proposals on laws to the NPC, formulates administrative measures in accordance with the laws, and draws up and puts into effect the national economic plan and state budget. Headed by the premier, the Executive Committee of the State Council consists of four vice premiers and five state councilors, who are senior government leaders with broad responsibilities. The secretary-general (chief-of-staff) manages the day-to-day business of the Council, which currently includes 28 ministers or commissioners, each of whom heads a functional ministry such as the Ministry of Foreign Affairs (MOFA) or the NDRC. At present, all but two of these ministers are CCP members

(the exceptions being Minister of Science and Technology Wan Gang and Minister of Health Chen Zhu). It should be noted that a minister who is not a CCP member usually has neither a distinct policy agenda nor much ammunition to wage a turf battle over decisions made by the CCP Central Committee and/or the State Council.

As for tobacco development/control concerns, four ministries listed in Chart 3-2 are essential: the Ministry of Industry and Information Technology (MIIT), the Ministry of Agriculture, the Ministry of Health, and the Ministry of Finance. The role of the MIIT is particularly important as it is not only the ministry that oversees the STMA and the CNTC, but is also the PRC-designated lead government agency in the inter-ministerial coordination system for implementing the FCTC. The State Administration of Taxation (SAT) is also directly under the leadership of the State Council, but it is usually considered to belong to the third tier agencies of the State Council, next to the levels of the Executive Committee and 28 ministries. Two research institutions listed in Chart 3-2, the Development Research Center (DRC) of the State Council and the Chinese Academy of Social Sciences (CASS), are the country's leading think tanks, and they also belong to the third tier of agencies of the State Council.¹⁷⁴ Their research reports on the tobacco industry and public health security can be very influential for the policy makers as they help shape the public discourse.

A Matrix of the Top National Leaders Responsible for Tobacco-Related Issues

Based on the above discussion of top decision-making bodies in the party and government, we can derive a matrix of the 16 current top national leaders responsible for tobacco development or tobacco control (see Table 3-1). They are chosen here primarily due to their current leadership posts, which afford them great weight in carrying out major decisions regarding tobacco use and public health policies. These leaders may retire or move to different leadership positions after the 2012-2013 political succession. Their successors will become

equally important to watch. China's anti-tobacco campaign should first and foremost make an effort to persuade these well-positioned heavyweight leaders to support effective initiatives and measures for promoting tobacco control and improving public health security in the country.

TABLE 3-1: A MATRIX OF THE CURRENT TOP NATIONAL LEADERS (IN THE PARTY AND GOVERNMENT) RESPONSIBLE FOR TOBACCO DEVELOPMENT/CONTROL (2012)

Name	Birth Year	Age in 2012	Current Leadership Position	Leadership Responsibility Related to Tobacco Use/Control	Likely standing after 2012-2013 Succession
Hu Jintao	1942	70	CCP Secretary General, PRC President, PSC Member	Major decisions in PSC	Retired
Wu Bangguo	1941	71	NPC Chairman, PSC Member	Legislature for/against tobacco control	Retired
Wen Jiabao	1942	70	Premier, PSC Member	Overall socio-economic affairs, government structure reform	Retired
Jia Qinglin	1940	72	CPPCC Chairman, PSC Member	Non-CCP interest groups, esp. in public health	Retired
Li Changchun	1944	68	PSC Member	Propaganda and media	Retired
Xi Jinping	1953	59	PRC Vice President, PSC Member	Socio-political stability	Remain on PSC
Li Keqiang	1955	57	Executive Vice Premier, PSC Member	Public health	Remain on PSC
Zhang Dejiang	1946	66	Vice Premier, PB Member	Industrial development (incl. the tobacco industry) and state-monopolized industrial sectors	Promoted to PSC

Name	Birth Year	Age in 2012	Current Leadership Position	Leadership Responsibility Related to Tobacco Use/Control	Likely standing after 2012-2013 Succession
Wang Qishan	1948	64	Vice Premier, PB Member	Finance	Promoted to PSC
Hui Liangyu	1944	68	Vice Premier, PB Member	Agriculture	Retired
Han Qide	1945	67	NPC Vice Chairman	Public health (medical doctor by training)	Retired
Huang Jiefu	1946	66	Executive Vice Minister of Health	Public health (medical doctor by training)	Retired
Miao Wei	1955	57	Minister of MIIT	Oversees STMA and the Eight-Agency FCTC Implementation Coordination Mechanism	Remain or promoted to SC or PB
Han Changfu	1954	58	Minister of Agriculture	Agriculture	Remain or promoted to SC or PB
Chen Zhu	1953	59	Minister of Health	Public health (medical doctor by training)	Remain
Xie Xuren	1947	65	Minister of Finance	Finance	Retired

Notes and sources: Shading indicates members of the Politburo, including members of the Standing Committee. CPPCC= the Chinese People's Political Consultative Conference; MIIT=Ministry of Industry and Information Technology; NPC=National People's Congress; PB=Politburo; PSC=Politburo Standing Committee; SC=State Council; and STMA=State Tobacco Monopoly Administration.

The matrix includes the top five leaders of China—Hu Jintao, Wu Bangguo, Wen Jiabao, Jia Qinglin, and Li Changchun. Each of these five leaders heads one of the most powerful and/or influential leadership bodies (though the CPPCC may be only symbolically influential). In the case of Li Changchun, China's “propaganda czar,” he is important in terms of media communication related to tobacco development/control and the ban of tobacco advertisements in television, movies, magazines

and newspapers. Although advertising bans are the jurisdiction of the State Administration for Industry and Commerce, which is overseen by Zhang Dejiang, as the gatekeeper of the Chinese media, Li Changchun has more power than Zhang in deciding what should or should not be banned. One can hardly imagine that a major anti-smoking policy could be achieved if any of these five Standing Committee Members and their leadership bodies or functional areas were to block it.

Xi Jinping and Li Keqiang will most likely succeed Hu Jintao and Wen Jiabao in 2012-2013. As of now, Xi is responsible for sociopolitical stability and Li is in charge of public health affairs. The other three vice premiers—Zhang Dejiang, Wang Qishan and Hui Liangyu—are each responsible for a functional area that is crucial to tobacco use/control. Among these three, Zhang Dejiang is undoubtedly the most relevant to the tobacco industry, because his leadership portfolio includes industrial policies, major state-owned enterprises, implementing structural changes to the Chinese economy, enterprise reforms, and social security. All of these ten leaders currently serve on the Politburo and seven of them are on the nine-member PSC. Zhang Dejiang and Wang Qishan are among the leading candidates to serve on the next PSC after 2012.

The next five leaders in Table 3-1 are far less powerful than the ten heavyweight politicians mentioned above, but they all play important roles in functional areas of tobacco use and public health. Han Qide, former Executive Vice President of Peking University and Dean of the Medical School, is currently one of the 13 vice chairman of the NPC. According to Chinese political protocol, vice chairmen of the NPC and vice chairmen of the CPPCC have the same status as members of the Politburo and Executive Committee of the State Council and are treated as “party and state leaders” (*dang he guojia lingdaoren*). There is another vice chairman in the NPC who is a medical doctor: Sang Guowei previously served as Vice President of Zhejiang University and Director of the Institute of Pharmacology of the University. In the CPPCC, one of the 25 vice chairmen is a

medical doctor by training. Zhang Meiying has spent most of her career in cancer prevention and treatment and served as Vice President of the Beijing Cancer Hospital in late 1990s. All three of them—Han, Sang, and Zhang—are non-CCP members. Due to their distinguished careers in medicine, their policy recommendations in the area of public health often receive greater attention.

In particular, Han Qide has played a very positive role in promoting the anti-tobacco campaign in China. Han studied at the Department of Pathophysiology at the Shanghai First Medical College from 1962-1968. He worked as a physician in a number of clinics in Lintong County in Shaanxi Province over the following decade. He then attended a graduate program in medicine at the Xi'an Medical School from 1979-1982. After receiving his Master's degree, he worked as an instructor at the Beijing Medical College from 1982-1985 during which he began researching cardiovascular molecular pharmacology. He spent two years at Emory University as a visiting scholar from 1985 to 1987 and continued to make yearly visits there from 1989 on to continue his research.¹⁷⁵ In 1995, Han was appointed Vice President of the Beijing Medical University and Dean of the Graduate School, which later merged to become part of Peking University. In 1997, Han was elected academician of the Chinese Academy of Sciences (CAS), the most prestigious honorary academic position in China. While teaching and practicing medicine, Han has served as Vice President and then President of the Jiu San Society, one of the “democratic parties” on the patriotic united front led by the CCP, which is comprised mainly of accomplished professors, medical professionals, and engineers. In his capacity as both vice chairman of NPC and a distinguished medical doctor, Han has contributed to a number of important health care initiatives, including the establishment of the new basic health insurance scheme in 2009, an ambitious health reform program aiming to help the vast majority of Chinese citizens in both urban and rural areas.¹⁷⁶

Those who have long worked in China's anti-tobacco campaign often consider Han Qide to be the campaign's most supportive national leader. Han's enthusiastic participation in tobacco control is not just symbolic, as he holds the ceremonial title of Honorary Chairman of the Chinese Association on Tobacco Control. On numerous occasions over the past decade, Han has expressed the urgent need for the Chinese government to seriously respond to the tobacco epidemic. He called for the national leadership to truly comply with the FCTC. In his view, the lack of effectiveness in China's implementation of the treaty was due to the fact that various levels of the Chinese government have largely failed to recognize that this is an important task. He believes that the Chinese leadership is obligated to effectively prevent a tobacco epidemic, partly because China has made the commitment to the international community, but mainly because public health is what he calls a "typical national public good."¹⁷⁷ Han has also called for Chinese officials to be role models for smoking control; and called for health professionals, especially medical doctors, not only to give up smoking, but also to "do more work to inform people of the harmful effects of smoking and help them quit smoking."¹⁷⁸ It is interesting to note that when Han made this remark in 2005, the then-Minister of Health Gao Qiang was an avid smoker, and sometimes even smoked at official ministry meetings!¹⁷⁹

Huang Jiefu, executive vice minister of health (with the rank of a full minister), is another high-level official with a professional background as a medical doctor. Like Han, Huang has been a major booster of tobacco control in China in the past decade or so. Huang graduated from Zhongshan Medical College in 1969 and received a Master's degree from the Zhongshan Medical University in 1982. He spent three years at the medical school of Sydney University from 1984-87 as a post-doctoral fellow. He served as president of No. 1 Hospital of the Sun Yat-sen University of Medicine and then president of the Sun Yat-sen University of Medicine. A world-renowned expert on liver transplants and carcinoma of the hepatobiliary

tract, Huang has published 14 surgical books as chief editor and more than 130 research papers.

Huang serves concurrently as the President of the China Association on Tobacco Control. Huang wields enormous influence within the top leadership because he heads the Central Bureau of Health Care (CBHC), which coordinates medical care for China's top leaders. His position as the director of CBHC ensures him regular face time with members of the Politburo Standing Committee and other high-ranking leaders. Huang is a CPPCC member and has organized very high profile tobacco control campaigns within the CPPCC. It is expected that he will be assigned a senior CPPCC or NPC position after retirement from his current positions.

The other four leaders listed on Table 3-1 are Minister of MIIT Miao Wei, Minister of Agriculture Han Changfu, Minister of Health Chen Zhu, and Minister of Finance Xie Xuren.¹⁸⁰ They all head the most relevant ministries for tobacco development/control in China, more so than the NDRC, which used to be a leading coordinating agency for tobacco economy, in addition to its overall role in China's industrial development. The role of the NDRC on tobacco issues has been reduced since the STMA came under the leadership of MIIT in 2008. These four ministers usually participate in the decision-making process when it comes to this issue area.

Table 3-1 shows that many of these leaders, including the top five, will retire after the 2012-2013 political succession. Some on the list, namely Xi Jinping, Li Keqiang, Zhang Dejiang, and Wang Qishan, will likely continue to advance their political careers. Several current Politburo members who serve as provincial/municipal Party chiefs, for example, Shanghai Party Secretary Yu Zhengsheng, Guangdong Party Secretary Wang Yang, and Tianjin Party Secretary Zhang Gaoli, will be among the most likely candidates for the next PSC and some of them may become vice premiers, the principal leaders on tobacco-related issues. Current Politburo Member and Director of the

CCP Propaganda Department Liu Yunshan will likely succeed Li Changchun as the new “propaganda czar.”

Han Qide is also expected to step down from his post of NPC vice chairman—a big loss for the anti-tobacco movement. It is likely that one or two new vice chairmen of the NPC may have medical and/or public health backgrounds. Due to his professional expertise and strong personal ties with top leaders, Huang Jiefu will continue to play an important role in China’s public health in general and tobacco control in particular even after he steps down from his current position as executive vice minister of health. Miao Wei and Han Changfu may be promoted to more important positions in the 2012-2013 leadership turnover. This matrix can help the anti-tobacco campaign focus on these heavyweight figures with input on tobacco use, identify their possible successors, and cultivate much-needed ties early on in order to obtain leadership support on smoking control—thus building a broader political coalition to combat the tobacco epidemic.

THE SMOKING HABITS OF TOP CCP LEADERS AND A SKETCH OF TOBACCO-RELATED ACTIVITIES

As public figures, leaders’ personal habits such as smoking and drinking have always drawn public attention. One should not, of course, jump to the simplistic conclusion that the fewer national leaders who smoke in a given country, the lower the penetration rate of smokers in that country. Still, the smoking habits of leaders, their personal views on the health hazards of smoking, and their tobacco-related activities are relevant factors, and often serve as important sources of information for the anti-tobacco campaign.

Table 3-2 exhibits the smoking habits of current members of the CCP Politburo, including its Standing Committee. It is encouraging to learn that none of the nine members of the PSC is currently a smoker. NPC Chairman Wu Bangguo quit smoking

due to a health problem a few years ago. Some of these leaders smoked when they were young. For example, both Xi and Li smoked when they worked in rural areas as farmers and grassroots leaders, but both quit smoking a couple of decades ago. The total percentage (20 percent) of smokers in the 25 members of the Politburo is far below the penetration rate of smoking among adult males in China (54 percent).

TABLE 3-2: SMOKING HABITS OF CURRENT MEMBERS OF THE POLITBURO

Name	Leadership Position	Non-Smoker	Smoker	Recently Quit
Hu Jintao	PRC President	X		
Wu Bangguo	NPC Chairman	X		X
Wen Jiabao	Premier	X		
Jia Qinglin	CPPCC Chairman	X		
Li Changchun	CGCECC Director	X		
Xi Jinping	PRC Vice President	X		
Li Keqiang	Executive Vice Premier	X		
He Guoqiang	CCDI Secretary	X		
Zhou Yongkang	CCPSL Secretary	X		
Wang Gang	CPPCC Vice Chairman	X?		
Wang Lequan	CCPSL Deputy Secretary	X?		
Wang Zhaoguo	NPC Vice Chairman		X	
Wang Qishan	Vice Premier		X	
Hui Liangyu	Vice Premier	X		X
Liu Qi	Beijing Party Secretary	X		
Liu Yunshan	Head of Propaganda	X?		
Liu Yandong	State Councilor	X		
Li Yuanchao	Head of Organization	X		
Wang Yang	Guangdong Party Secretary	X		

Name	Leadership Position	Non-Smoker	Smoker	Recently Quit
Zhang Gaoli	Tianjin Party Secretary	X		
Zhang Dejiang	Vice Premier		X	
Yu Zhengsheng	Shanghai Party Secretary		X	
Xu Caihou	CMC Vice Chairman		X	
Guo Boxiong	CMC Vice Chairman	X?		
Bo Xilai	(Former) Chongqing Party Secretary	X		

Note and source: Shading indicates members of the Standing Committee. CCDI=Central Commission for Discipline Inspection; CCPSL=Central Commission of Political Science and Law; CGCECC=Central Guidance Committee on Ethical and Cultural Construction; CMC=Central Military Commission; CPPCC=the Chinese People's Political Consultative Conference; NPC=National People's Congress. Research by Cheng Li.

It should be noted, however, that the phenomenon of a non-smoking PSC may soon change as several leading candidates for the next PSC are heavy smokers, including Wang Qishan, Zhang Dejiang, and Yu Zhengsheng. Some of the frontrunners for the next Politburo, including two current members of the Secretariat Ling Jihua and Wang Huning, are also avid smokers. More importantly, very few of the current members of the PSC and Politburo have ever made strong public statements about the need for tobacco control in China. There are, of course, a few exceptions. Prior to the 2008 Beijing Olympics, Premier Wen Jiabao made widely-publicized remarks that the Chinese government was determined to host a smoke-free Beijing Olympics. Wen was articulate about the great imperative to improve public health security in China.¹⁸¹ Before the recent political crisis in Chongqing, then Party Secretary Bo Xilai said at the “Healthy Chongqing” conference that “There are too many smokers in Chongqing. On average a smoker has 14 cigarettes per day; and the city is ranked No. 2 in terms of amount of the tobacco consumption. This is harmful for public health.”¹⁸² But Bo immediately added: “The consumption of cigarettes nevertheless contributes to the revenue of the state.”¹⁸³

The same revenue considerations have often led senior leaders to pay visits to tobacco factories. For example, in 2008, Yu Zhengsheng, in the company of Director of the STMA Jiang Chengkang, paid a widely-covered visit to the Shanghai Tobacco Group Corp. and the nearby newly built China Tobacco Museum.¹⁸⁴ Table 3-3 lists top leaders' visits to the Yuxi Hongta Group, one of the largest tobacco companies in China. Since 1989, altogether 13 Politburo members including eight PSC Members (most notably Hu Jintao, Wu Bangguo, and Zhu Rongji) visited this company, which is located in Yuxi City, Yunnan Province. Vice Premiers Tian Jiyun and Zeng Peiyan visited the company twice. It is interesting to note that almost all of these visits took place before the FCTC entered into force in China in 2006. The FCTC may have some impact on the Chinese top leadership regarding the restriction of public endorsement of the tobacco industry.

TABLE 3-3: TOP LEADERS' VISITS TO THE YUXI HONGTA GROUP

Leader	Position at Time of the Visit	Date of visit
Hu Qili	PSC Member	January 1989
Tian Jiyun	Politburo Member, Vice Premier	April 1991
Zhu Rongji	PSC Member, Vice Premier	December 1992
Hu Jintao	PSC Member	December 1993
Wu Bangguo	Politburo Member, Vice Premier	November 1995
Liu Huaqing	PSC Member	April 1996
Jiang Chunyun	Politburo Member, Vice Premier	November 1996
Li Ruihuan	PSC Member	March 1999
Tian Jiyun	Politburo Member	April 2001
Wu Guanzheng	PSC Member	June 2003
Zeng Peiyan	Politburo Member, Vice Premier	August 2003
Wang Zhaoguo	Politburo Member	January 2004
Luo Gan	PSC Member	July 2004
Huang Ju	PSC Member, Vice Premier	September 2005
Zeng Peiyan	Politburo Member, Vice Premier	August 2006

Note and Source: PSC=Politburo Standing Committee; Hongta yancao jituan youxian gongsi (The Hongta Tobacco Group Limited), *Hongta jituanzhi 1956-2005* (Annals of the Hongta Group, 1956-2005), Kunming: Yunnan renmin chubanshe, 2006. Also, <http://www.tobaccochina.com/zt/hongta100w/index.html>; and http://www.tobaccochina.com/zt/2006_50years/eneve.html. Tabulated by Cheng Li

Top national leaders' visits to a tobacco company have been seen as an unambiguous endorsement of the tobacco industry, and reflect the successful lobbying efforts of the tobacco industry, especially the Yuxi Hongta Group, as Chapter 5 will further detail. At the Yuxi Tobacco Museum, photos of leaders' visits along with their remarks are prominently exhibited. It seems that the anti-tobacco campaign should do more on this front, making these sorts of senior leader visits to tobacco enterprises a political liability in the eyes of the Chinese public instead of political capital to gain popular support. Just as political leaders in present-day China no longer smoke publicly, neither should they appear on tobacco business turf to endorse the industry.

ONE PARTY, TWO COALITIONS: FACTIONAL DYNAMICS IN THE LEADERSHIP

In democratic countries, both tobacco lobbyists and anti-smoking advocates pay close attention to elections and the political dynamics within decision-making bodies such as the cabinet to determine leaders' positions on tobacco use. In the United States, for example, the presidential election often serves as an important channel through which tobacco lobbyists aim to influence policies.¹⁸⁵ In 2004, the tobacco industry contributed about US\$10 million to the Republican Party. It was believed that in return President George W. Bush later vetoed a congressional bill that would increase the tobacco tax. In contrast, Al Gore did not accept any donations from tobacco lobbyists during his presidential campaign.¹⁸⁶

In an authoritarian state such as China where the state completely monopolizes the tobacco industry, the top leadership carries more weight in policy and implementation than in democracies when it comes to the tobacco economy. This, of course, does not imply that the Chinese leadership is a monolithic group. On the contrary, the nature of Chinese elite politics has been changing in the past two decades, largely as a

result of the aforementioned transition from strongman politics to collective leadership. Intense elite competition and dynamic political coalitions, which are often linked to vested interest groups in the country, have made Chinese elite politics look increasingly familiar to Western democracies.

Populists (Tuanpai) versus Elitists (Princelings)

The Chinese Communist Party leadership is now structured around two informal coalitions or factions that now check and balance each other's power. This is not the kind of institutionalized system of checks and balances that operates between the executive, legislative, and judicial branches of the American government, an essential element of a democratic system. But it is an important political development in how Chinese leadership politics works and may have important implications for the anti-smoking campaign's strategy.

The two competing groups can be labeled the "populist coalition," led by President Hu Jintao and Premier Wen Jiabao, and the "elitist coalition," which was born in the Jiang era and is currently led by NPC Chairman Wu Bangguo and CPPCC Chairman Jia Qinglin. These four individuals are currently China's top four leaders. The dual-successor pair in the fifth generation of leaders, Vice President Xi Jinping and Executive Vice Premier Li Keqiang, each represents one coalition. These two political camps have divided the number of seats in the top leadership organizations almost equally. For example, the two coalitions have even managed to arrange a near-perfect balance of power presently among the fifth generation of rising stars (one of each in the PSC, three of each in the Politburo, and two of each in the six-member Secretariat). The two coalitions rotated the driver's seat in the previous succession from Jiang (elitist) to Hu (populist) and will likely do so again in the expected succession from Hu to Xi (elitist). This current situation can be referred to as the "one party, two coalitions" political mechanism.¹⁸⁷

The "populist" coalition draws its name from the "putting people first" policy orientation of its cadres (especially those

who have worked in poor, inland provinces) and the factional cliques that support it. This coalition's core faction consists of leaders who advanced their careers through the ranks of the Chinese Communist Youth League (CCYL), known as "*tu-anpai*," which Hu Jintao headed in the mid-1980s. Provincial leaders from most of the inland region and Premier Wen Jiabao and his protégés are also among sub-groups in this coalition.

The "elitist coalition" is more closely associated with fast economic growth and the development of China's coastal areas, which dominated the 1990s. The elitist coalition is made up of a loose grouping of smaller factional cliques (e.g. the Shanghai gang—the protégés of Jiang Zemin when he was in charge of the city) and other power blocs, which generally represent the interests of rich economic entrepreneurs, especially in the coastal region. The core group of the elitist coalition consists of princelings—leaders who come from high-ranking official families. They are bound by their shared political identity and a sense of entitlement as "red nobility," as well as the need to protect and advance their political and economic interests.

Factional politics is, of course, not new in China. Major events during the Mao era, such as the Anti-Rightist campaign, the Cultural Revolution, and the 1989 Tiananmen crisis, were all related to factional infighting within the CCP leadership. But factional politics is no longer a vicious power struggle and zero-sum game in which winner takes all and those on the losing end are likely to be purged or worse. Neither the elitist nor the populist coalitions are capable of, nor really wants to, totally defeat the other. Each coalition has its own strengths, including representing different constituencies, which the other does not possess. Their relationship, when it comes to policy-making, is one of both competition and cooperation. These two coalitions share an interest in domestic social stability and aspire to see China's continuing rise on the world stage, and these common goals often push the two coalitions to compromise and cooperate with each other. Yet, as Chinese society has become increasingly pluralistic in views and

values—and as the Chinese leadership confronts many daunting policy challenges—policy differences in the CCP leadership are likely to become even more transparent to the public in the near future.

Two recent developments that deserve greater attention seem to suggest that factional infighting within the leadership has become increasingly acute. The first relates to political jockeying for important leadership posts, especially seats in the PSC. While no one knows which nine leaders will eventually reach this pivotal body of power, 12 leaders stand out among their peers as the leading candidates (see Table 3-4).¹⁸⁸ Among the 12 candidates listed, 10 currently serve on the 25-member Politburo and two (Xi Jinping and Li Keqiang) are already on the current PSC. It is interesting to note that these leading candidates are equally divided by political coalition—six elitists and six populists. Within the elitist coalition, four leaders are princelings, one is the protégé of Jiang Zemin, and one is a prominent member of the Shanghai Gang. Within the populist coalition, all six are *tuanpai* leaders who have strong patron-client ties to Hu Jintao.

Obviously, not all of these 12 leaders can make it to the next PSC. This may explain another recent—and unprecedented—development in Chinese elite politics: a number of prominent politicians have begun “Western-style” self-promotion political campaigns on the eve of the 18th Party Congress. Prior to the recent purge of Bo Xilai, three one-term Politburo members who currently serve (or until recently served) as Party chiefs in provincial-level administrations, namely Wang Yang in Guangdong, Bo Xilai in Chongqing, and Zhang Gaoli in Tianjin, were seen as competing among each other for PSC membership. Wang Yang and Bo Xilai were anything but quiet, having jointly acquired the nickname the “two cannons.” Ever since he was appointed as Guangdong Party Secretary in 2007, Wang Yang has been advocating a new model of economic growth and insisting on the necessity of political reforms. He personally launched a new wave of “thought emancipation,”

TABLE 3-4: F ACTIONAL IDENTITIES OF THE LEADING CANDIDATES FOR THE POST-2012 POLITBURO STANDING COMMITTEE

Elitist Coalition				Populist Coalition			
Name	Birth Year	Current Position	Factional Background	Name	Birth Year	Current Position	Factional Background
Xi Jinping	1953	Member of PSC, CMC Vice Chair, PRC Vice President	Princeling	Li Keqiang	1955	Member of PSC, Executive Vice Premier	Tuanpai
Wang Qishan	1948	Politburo Member, Vice Premier	Princeling	Li Yuanchao	1950	Politburo Member, CCP, Organization Dept. Head	Tuanpai, (Princeling)
Zhang Dejiang	1946	Politburo Member, Vice Premier	Princeling	Liu Yunshan	1947	Politburo Member, CCP Propaganda Dept. Head	Tuanpai
Yu Zhengsheng	1945	Politburo Member, Shanghai Party Chief	Princeling	Liu Yandong	1945	Politburo Member, State Councilor	Tuanpai, (Princeling)
Zhang Gaoli	1946	Politburo Member, Tianjin Party Chief	Jiang Zemin's protégé	Wang Yang	1955	Politburo Member, Guangdong Party Chief	Tuanpai
Meng Jianzhu	1947	State Councilor, Minister of Public Security	Shanghai Gang	Ling Jihua	1956	Member of Secretariat, CCP General Office Head	Tuanpai

Notes and sources: CCP=Chinese Communist Party; CMC=Central Military Commission; Dept.=Department, PRC=People's Republic of China;

PSC=Politburo Standing Committee. Cheng Li, "The Battle for China's Top Nine Leadership Posts," *The Washington Quarterly*, Vol. 35, No. 1 (Winter 2012): 139.

urging local officials to overcome ideological and political taboos. In the wake of the recent mass protests in Guangdong's Wukan, Wang made the decision to allow the villagers to elect their own village heads instead of using more traditional methods that would lead to jail time for protest leaders.¹⁸⁹

Bo Xilai's self-promotion campaign garnered even more publicity before his dramatic fall in March 2012. Bo's approach was remarkably unconventional: he is an elitist who has always been favored and privileged within the Communist regime (except for a few years during the Cultural Revolution), yet claims the mantle of Maoist-style radical populism. He had succeeded in becoming quite popular among the Chongqing public (of course only prior to the recent political crisis in Chongqing), and his national bravado earned him the title "man of the year" in a 2009 online poll conducted by *People's Daily*. In recent months, five of the nine current PSC members visited Chongqing to endorse his campaign. These recent political self-promotion campaigns by Wang Yang and Bo Xilai were truly incredible for a one-party Leninist state known for its strict prohibition on political lobbying on the part of individual leaders. In contrast to the "two cannons," Zhang Gaoli retained a more conventional, less ostentatious style of leadership. Zhang recently told a foreign visitor that he was more interested in promoting a "down-to-earth style of intense effort with a low profile." His motto (and strategy) is: "Do more. Speak less."¹⁹⁰

Contrasting Roles on Tobacco Use: Xi Jinping's Wife Versus Li Keqiang's Brother

The recent change in Chinese elite politics also helps to explain why Peng Liyuan, Xi Jinping's wife, reaches out to the public in her role as soon-to-be first lady of the PRC through several social causes, especially on the public health front. By doing so, she can help to gain popular support and political capital for her husband to consolidate his power. It is, of course, not an entirely new phenomenon in contemporary China for top leaders' spouses or close relatives to be heavily engaged

in noble social causes or charitable activities. Madame Soong Ching-ling, the widow of the first president of the Republic of China Sun Yat-sen, was known for her long-standing commitment to the charity and welfare of children, although she was also frequently photographed smoking, with a cigarette holder in her lips. Deng Xiaoping's son, Deng Pufang, who was paralyzed in a tragic incident during the Cultural Revolution, emerged as a strong advocate for the protection of the rights of disabled people in China.

Nevertheless, political norms in the PRC have long encouraged top leaders to keep their families almost invisible in the public domain. These political norms may begin to change partly because of the new social media's growing demand for political transparency and partly because of the fact that the new generation of political leaders seems to be far more comfortable with publicity than earlier generations. In an era of collective leadership in which all top-level politicians (including the first among equals, the general secretary of the Party) tend to be relatively weaker, a top leader's spouse's commitment to and service of an important cause (such as public health) can be a valuable political asset.

Peng Liyuan was born in Yuncheng County, Shandong Province in 1962. Her father was at one point the head of the county's cultural center and her mother was a local opera singer. Peng joined the PLA as a folk song singer in 1980 at the age of 18. Two years later, Peng became nationally famous when she performed at the first televised state gala of the Spring Festival. Peng's continuing appearances at the annual gala, which draws about 800 million viewers every year, have made Peng a household name.¹⁹¹ As some journalists have observed, Peng has been more famous than her husband Xi Jinping for most of the last three decades.¹⁹² Peng married Xi Jinping in 1987 and they have a daughter, Xi Mingze, who is currently a sophomore at Harvard University. Peng is best known for going to the disaster zone in her PLA role, singing songs for the troops engaged in disaster relief while dressed in army camouflage.

During the 2008 Sichuan earthquakes, Peng and her daughter both went to the disaster zone as volunteers just a few days after the quakes.¹⁹³ Peng studied at the China Conservatory of Music and received a Master's degree in National Vocal Music in 1990. Peng has traveled to more than 50 countries and performed at prestigious venues such as New York City's Lincoln Center for the Arts in 2005.

As a cultural celebrity, Peng has served as a member of the CPPCC since 1993. Peng currently serves as head of the PLA Song and Dance Ensemble with the military rank of major general. It has been widely expected by the Chinese public that Peng Liyuan will be more in the spotlight beyond the stage and the Spring Festival gala and will play an active role as the first lady of China. If so, her role will differ remarkably from that of the wives of the three top leaders of the previous generations (Deng, Jiang and Hu) who have usually kept a low profile. The fact that Peng was recently elected as First Vice Chairman of the Chinese Musicians Association and especially as Vice Chairman of the China Federation of Literary and Art Circles seems to reinforce such a public expectation.

Since the middle of the last decade, Peng has been actively involved in promoting public health. A recently published long article in the best-selling Chinese magazine *Global People* highlighted Peng's remarkable support for several disease prevention initiatives.¹⁹⁴ In January 2006, at the invitation of the Ministry of Health, Peng began to serve as an AIDS prevention volunteer. Two months later, she paid a special visit to Fuyang County, Anhui Province, and spent time with many AIDS orphans. In October 2009, at the invitation of the China Tobacco Control Association, Peng began to serve as an "Ambassador of Tobacco Control" along with a few other popular Chinese cultural and sports celebrities such as the movie star Pu Cunxin, news anchors Ju Ping and Yang Lan, comedian Jiang Kun, ping-pong player Zhang Yining, gymnast Liu Xuan, and most notably, basketball player Yao Ming.¹⁹⁵ In June 2011, Peng Liyuan went to Geneva to receive from WHO Director-

General Margaret Chan the title of tuberculosis and AIDS prevention and goodwill ambassador.¹⁹⁶

Notably, while Peng has agreed to be an ambassador for tobacco control in China, she has been very low-profile in the role. Her advocacy to raise awareness of HIV/AIDS and tuberculosis has been much more visible, no doubt because those are less politically controversial issues in the country. Yet, one can reasonably hope that Peng Liyuan's active involvement in tuberculosis and AIDS prevention and the campaign for tobacco control has had a direct impact on Xi Jinping's views of issues concerning public health security.

If this situational factor is an exceptional opportunity for the anti-smoking campaign to advance its cause with the possible strong endorsement from Xi Jinping, another situational factor provides a different opportunity for the campaign to exert pressure on Li Keqiang to constrain rather than promote the tobacco industry. The fact that Li Keqiang's younger brother, Li Keming, currently serves as Deputy Director of the State Tobacco Monopoly Administration has caused some concern and criticism both in China and abroad.¹⁹⁷

A graduate of the Anhui Light Industry School in 1980, Li Keming has spent his career thus far almost entirely in the tobacco industry—first in the technology sector of tobacco production in his native Anhui Province, and then briefly in Hebei Province as Deputy General Manager of the STMA's Provincial Bureau. Since 2003, Li Keming has served as Deputy Director of the STMA responsible for cigarette production and has played an instrumental role in the unprecedentedly rapid growth of tobacco production during the decade. Arguably because of the fact that he is the brother of the soon-to-be premier, the STMA has enhanced its political and bureaucratic profile. For example, when Li Keming recently visited provinces to inspect tobacco factories/companies, provincial chiefs (party secretaries and governors) often escorted or met him during the visits. Examples include Liaoning Party Secretary Wang Min, Jilin

Party Secretary Sun Zhengcai, Jiangsu Party Secretary Luo Zhijun, Hebei Governor Zhang Qingwei, Gansu Party Secretary Lu Hao, Gansu Governor Xu Shousheng, Shandong Governor Jiang Daming, Anhui Governor Wang Sanyun, Jilin Governor Wang Rulin, and Yunnan Governor Li Jiheng.

Some of these provincial chiefs are rising stars within the Chinese leadership. These types of official and publicized meetings between a deputy bureau director in the national government and a provincial chief is highly unusual in terms of Chinese bureaucratic hierarchy and protocol. One motivation for provincial leaders to host visits from the STMA top brass (especially Li Keming) may be to curry favor with Li Keqiang, as some critics have observed.¹⁹⁸

More importantly, it may be a conflict of interest for Li Keming to serve in this senior position in the tobacco industry while his brother is in charge of public health affairs at the State Council. At the very least, it seems to indicate a lack of political sensitivity on the part of the soon-to-be premier. Earlier in his career, during his time as Governor and Party Secretary of Henan from 1998-2004, Li Keqiang's slow response to Henan's notorious HIV/AIDS villages crisis sparked much criticism from home and abroad.¹⁹⁹ Only after then-Vice Premier Wu Yi visited some of the AIDS villages in Henan did Li acknowledge the problem. Li Keqiang was, of course, not responsible for the spread of the AIDS virus in the province, which was caused by poor blood transfusion standards, because this problem occurred before his arrival in Henan. However, some AIDS activists, human rights groups, and nongovernmental organizations have criticized Li's lack of action as provincial chief. This may explain why Li Keqiang visited AIDS patients in Beijing in November 2011, an event which was widely reported in the Chinese official media.²⁰⁰

It should be noted that even as an executive vice premier in charge of public health, Li Keqiang has made hardly any public remarks on the importance of tobacco control and the

imperative of fighting the smoking epidemic. Privately, Li told senior officials in the Ministry of Health that due to tobacco's great contribution to the Chinese economy, tobacco control measures in China "cannot be real."²⁰¹ In July 2010, Zhong Nanshan, a famous doctor who was a national hero of the 2003 SARS crisis, met with Li Keqiang. During the meeting, Zhong bluntly criticized the Chinese authorities for their "double dealing" (*liangmianpai*) when they stated that China should comply with the FCTC on the one hand but continued to promote tobacco production and protect the vested interest of the tobacco industry on the other.²⁰² Zhong suggested that the Chinese government should "provide right guidance to smokers," "ban smoking in public places," and "increase the price and tax of cigarettes."²⁰³ Zhong also criticized the Chinese government for not allocating sufficient resources to fight against Chronic Obstructive Pulmonary Disease (COPD), a primarily smoking-related disease and the third largest cause of death in China. No action has been taken on the part of Li Keqiang since this meeting.

It should be noted that Li Keqiang, along with Premier Wen Jiabao, has forcefully pushed for public health security to be a policy priority in recent years. Paradoxically, Li's personal/family ties with the tobacco industry might have prevented him from making a real effort to constrain cigarette production and consumption in the country.²⁰⁴ Although the tobacco industry—a formidable vested interest group—may generate some political support for Li Keqiang, his family ties with the industry may become ammunition for his political rivals. At a time when factional infighting has become increasingly vicious, this lack of sensitivity on this vitally important issue of public health security may prove to be a political liability. This could be very costly on the part of Li Keqiang in the political succession process and especially in the consolidation of his power and authority in the future.

SUMMARY

The WHO's 2004 *Tobacco Free Initiative* stated that "An effective control plan must build political will, identifying those factors that oppose the successful establishment of a tobacco control programme, and choosing interventions to persuade political decisionmakers to support efforts to curtail tobacco use."²⁰⁵ The changing nature of Chinese elite politics from an all-powerful strongman in decision-making to a collective leadership and growing factional competition provides unprecedented opportunities for more successful tobacco control efforts. Members of the collective leadership tend to be weaker and thus more inclined to promote new and distinct policy initiatives, more motivated to generate public support, and more responsive to public demands on such crucial issues as public health security.

Meanwhile, never has the PRC witnessed such extraordinary openness and pluralism in its intellectual and political discourse on the eve of a political succession. China's ongoing intellectual and political debates are not limited to the realm of ideas and values—they also seem closely linked to politics and the interests of heavyweight politicians and political factions. As a result, the Chinese public seems increasingly aware of the ongoing political tensions and policy differences within the leadership, especially between some of the most prominent rising leaders and their respective factions. Some public intellectuals have even suggested that the Central Organization Department of the CCP should use a candidate's smoking habits as a hard criterion of evaluation for leadership promotion.²⁰⁶ Although this demand is hardly realistic in implementation, considering the fact that a significant number of CCP officials smoke, it is encouraging to hear such a proposal.

Under these new political circumstances, the Chinese leadership's competing priorities between tobacco industry interests and protecting the population's health "may be shifting

toward better public health.”²⁰⁷ At least some parts of the government (such as the Ministry of Health) and some national leaders (most notably Vice Chairman of the NPC Han Qide) are starting to question the notion of the “tobacco economy.” They recognize that the current favorable policy towards the tobacco industry is “trading citizens’ future health for a near-term boost to the economy.”²⁰⁸ The fact that none of the current members of the PSC smokes and very few other national leaders smoke publicly shows progress in China’s battle for tobacco control. The soon-to-be first lady’s role as a tuberculosis and AIDS prevention ambassador, as well as a “tobacco control ambassador,” provides further hope for the integration of tobacco control into chronic disease prevention and overall policies relating to public health.

The increasing transparency of factional politics, especially dynamic competition between elitists versus populists (or *tuanpai* versus princelings) in the national leadership, reveals valuable information about the likely fault lines that may emerge in tobacco policy. This analysis gets at the heart of competing political interests in present-day China, underscoring the fragility of managing contradictory incentives in the absence of multi-party competition and divided government.²⁰⁹ The tobacco control NGOs, therefore, can better navigate their agendas through complicated political terrain and seek supporters in Zhongnanhai. In a way, all of these situational factors and the new features of Chinese elite politics may be crucial to the battle for tobacco control in the near future. Anti-smoking NGOs can be mobilized in a politically consequential way to enhance public awareness about stakeholders on both sides of tobacco-related developments.

Even so, due to the trend and nature of collective leadership, top Chinese politicians are also more closely associated with certain interest groups and constituencies, which is particularly evident in the case of Executive Vice Premier Li Keqiang’s ties to his brother who serves as Deputy Director of the STMA. This study’s heavy use of elite-driven analysis should

not substitute or downplay the research of the more structural dimensions of the process of tobacco-related policy. These factors should prompt the anti-tobacco campaign to pay greater attention to vested interest groups and other institutional stakeholders in the tobacco industry, especially the lines of bureaucratic authority in China as pertains to tobacco development and control—the focus of the next chapter.



CHAPTER 4 - CHINA'S TOBACCO BUREAUCRACY: IDENTIFYING AND BREAKING DOWN INSTITUTIONAL BARRIERS

Any systemic attempt to prevent the rapid expansion of tobacco production and consumption in China must take into account the complex and intertwined webs of the Chinese tobacco bureaucracy.²¹⁰ The central node of this bureaucracy is perhaps the State Tobacco Monopoly Administration. One must understand its broad horizontal relationship with other national governmental agencies, its hierarchical structure consisting of several levels of STMA branches, and the vested corporate and industrial interests it represents. The formidable role of vested corporate and industrial interest groups in decision-making in present-day China, of course, goes beyond the realm of the tobacco industry. China's state monopolized industries also include banking, oil, electricity, coal, telecommunications, postal services, aviation, and shipping, among others. These state monopolized industries intend to maximize profits through the increasingly intertwined power-capital nexus. Meanwhile, never in the six-decade history of the PRC has the Chinese general public expressed such serious concerns about the ever-growing power of vested corporate and industrial interest groups (*gongshang qiye jide liyi jituan*) as they have in recent years.

Not surprisingly, a new term, the “black collar stratum” (*heil-ing jieceng*), recently surfaced in China to refer to the increasing number of the rich and powerful who dress in black, drive black cars, have hidden incomes, live secret lives with concubines, have ties to the criminal underground (*heishehui*, or black society), and most importantly, operate their businesses

and wield their economic power in an opaque manner.²¹¹ They often exchange favors and make deals at occasions or places such as “dinner banquets, golf courses, or tourist resorts.”²¹² The response to the “black collar” phenomenon reflects widespread public resentment over the increasingly close associations between government officials and the executives of large corporate and industrial firms.

The various players associated with property development, for example, have emerged as one of the most powerful special interest groups in present-day China. According to Sun Liping, a sociology professor at Tsinghua University, the real estate interest group has accumulated tremendous economic and social capital over the past decade.²¹³ The huge profits amassed by property developers in China are often compared to those of drug dealers. Ever since the early 1990s real estate bubble in Hainan, this interest group has consistently attempted to influence government policy and public opinion. The group includes not only property developers, real estate agents, bankers, and housing market speculators, but also some local officials and public intellectuals (economists and journalists) who promote the interests of that group.²¹⁴ The power of this group explains why it took 13 years for China to pass an anti-monopoly law, why macro-economic control policies in the middle of the last decade were largely ineffective, and why a widely recognized bubble in PRC cities has continued to grow. In each of these cases, corporate and industrial interest groups have encroached upon bureaucratic institutions and the decision-making process, either by creating government policy deadlock or manipulating policies in their own favor.

It has been widely reported in the Chinese media in recent years that special interest groups in real estate have routinely bribed local officials and formed a “wicked coalition” with local governments.²¹⁵ At the same time, provincial and local governments’ “liaison offices in Beijing” (*zhujingban*), regionally-based Chinese lobbying groups, have rapidly increased in number. In January 2010 the central government had to issue

new regulations to substantially reduce the permitted number of these offices representing local interests and to require financial auditing of the remaining lobbying groups at the province and municipality levels.²¹⁶

The tobacco special interest group, however, seems to have three important advantages compared to other state-monopolized industries. First, the government institution that is supposed to regulate/monitor the tobacco industry, the STMA, is exactly the same body as the CNTC, which manages/controls tobacco production and sale. Other state-monopolized industries and their representative government agencies are not represented in the State Council the way that the STMA/CNTC is. The State-owned Assets Supervision and Administration Commission (SASAC) oversees major state-owned enterprises, but the CNTC oversees itself. This is what the Chinese refer to as “same institution, two names.” Critics often consider STMA/CNTC to be a typical case of a state industry in which there is “no distinction between government and enterprise” (*zhengqi bu fen*). It reflects the “collusion between officials and merchants” (*guanshang heyi*).²¹⁷ In other words, the STMA/CNTC “acts not only as a player of a game, but also as the referee of the game.”²¹⁸ Even more ironically, as critics have noted, this same bureaucratic institution that develops and manages the tobacco industry in China is also supposed to be the “chief instigator to oversee anti-tobacco efforts.”²¹⁹

Second, partly because of its dual identity and partly because of the low costs and high revenues of the tobacco industry, the STMA/CNTC seems to have more leverage to advance the industry’s interests through the power-capital nexus than other large state-owned companies. Not surprisingly, the STMA/CNTC often claims that as a significant contributor to the Chinese economy, the tobacco enterprise is “a legitimate business and should have reasonable space to propagate and promote it.”²²⁰ Not surprisingly, the tremendous governmental power of the STMA/CNTC in its commercial development often leads critics to refer to the tobacco industry as “the last bastion of China’s planned economy.”²²¹

And thirdly, while state-owned enterprises in other industries may need to establish (and they often do) their public relations offices or hire lobbying firms around the country to promote their business to local governments and other stakeholders, the STMA/CNTC has an aforementioned solid vertical institutional network (STMA local branches) at various levels of local government (province, prefecture/municipal, and county). These well-established and well-funded STMA/CNTC branches serve as official agencies to promote the interests of the tobacco industry. While they have very close ties with local governments, they are under the leadership of the higher levels of STMA.

An effective anti-smoking campaign, therefore, must grasp the inner operations of the STMA/CNTC, identify the bureaucratic stakeholders and factors that oppose or support tobacco control measures, and then aim to break through the institutional barriers that impede the anti-smoking campaign. This chapter first presents a structural analysis of the STMA/CNTC, then discusses the recent rapid growth and new strategies of the tobacco industry, followed by an examination of the bureaucratic coordination of various governmental institutions and interest groups on tobacco use/control at the national level. The chapter concludes with a discussion of a specific approach the anti-smoking campaign can take with each of the major governmental bodies. Issues regarding official corruption and the “black collar stratum” phenomenon, especially at the provincial-level and factory-level, will be discussed in Chapter 5.

STRUCTURAL ANALYSIS OF THE STMA/CNTC

In 1981, the State Council decided to establish a state monopoly over the tobacco industry. The following year, the CNTC was founded to be responsible for the implementation of the tobacco monopoly. In 1983, the State Council issued the “Rules on Tobacco Monopoly,” officially setting forth the national tobacco monopoly system. One year later, the STMA was established as a governmental institution to manage the tobacco industry (for the evolution of both tobacco development

and the anti-smoking campaign in China during the reform era, see the chronology at the end of this monograph). The Chinese government's official website characterizes the STMA/CNTC in the following way:

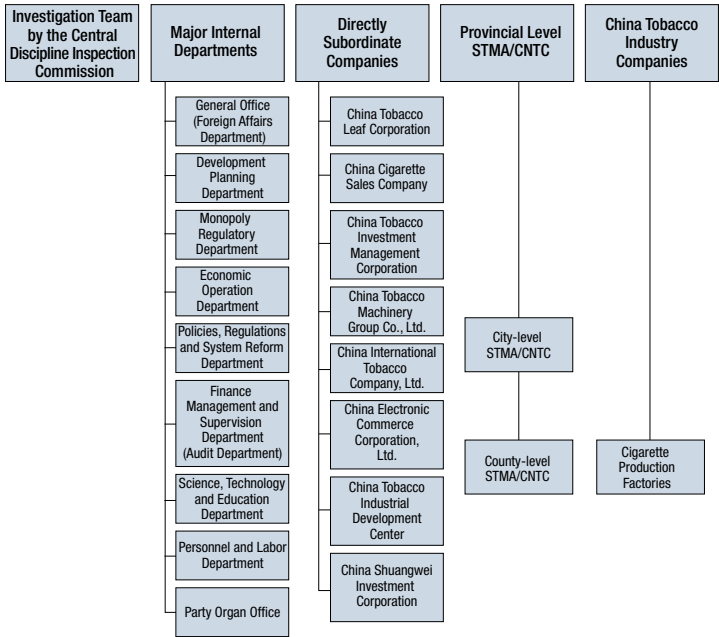
China's tobacco industry adopts a system of unified leadership, vertical management and monopolized operation. The State Tobacco Monopoly Administration and the China National Tobacco Corporation are responsible for the centralized management of "staff, finance, properties, products, supply, distribution, and domestic and foreign trade" of the country's tobacco industry.²²²

Over the past three decades, the STMA has changed its bureaucratic affiliations several times: it has been under the leadership of the Ministry of Light Industry (1984-1993), the State Economic and Trade Commission (1993-2003), and the NDRC (2003-2008). In March 2008, the STMA was again moved, put under the auspices of the newly established MIIT, as part of the ministry's expanded responsibility over key areas of Chinese industrial policy.

The STMA/CNTC is itself a gigantic bureaucratic institution, which is very much a *de facto* centralized agency. Chart 4-1 presents the overall structural framework of the STMA/CNTC. Due to the great importance of the tobacco industry to the Chinese economy and possible tobacco-related official corruption, the Central Discipline Inspection Commission of the CCP has an investigation team stationed within the STMA/CNTC (in the name of the Supervision Bureau). The STMA/CNTC has nine major internal departments, which are responsible for functional areas such as development and planning, regulations, economic operations, personnel and labor, etc. There are eight major subordinate companies under its direct leadership, including the China Tobacco Leaf Corporation (CTLG) and the China Cigarette Sales Company (CCSC). As a national leadership body, the STMA/CNTC directly controls local

branches through a hierarchical structure. It very closely oversees the business performance of all of China’s tobacco companies and the production of major cigarette factories.

CHART 4-1: OVERALL STRUCTURE OF THE STMA/CNTC

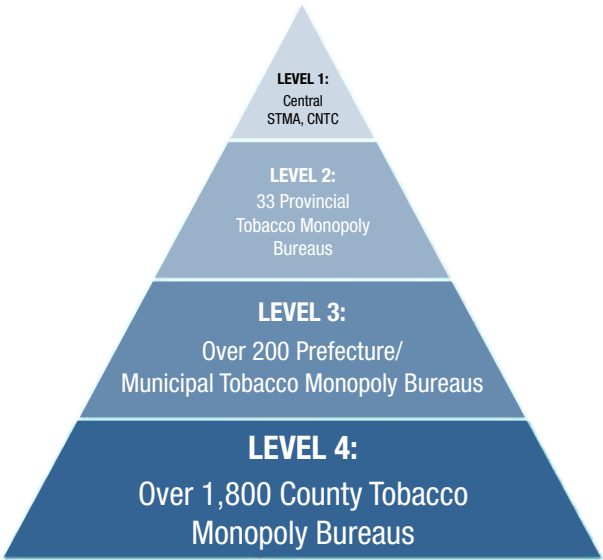


Notes and sources: Guojia yancao zhuanmai ju (China Tobacco Monopoly Administration), *Zhongguo yancao nianjian* (China tobacco yearbook, 2009). Beijing: Zhongguo kexue jishu chubanshe, 2010, p. 258. Revised by Cheng Li.

Chart 4-2 shows the four levels of control of the state tobacco monopoly in China. The national STMA/CNTC controls 33 province-level tobacco monopoly bureaus/corporations. In addition to 31 province-level entities in the country, including the four municipalities of Beijing, Shanghai, Tianjin and Chongqing that are directly under the leadership of the central government, the tobacco monopoly bureaus/corporations in the two major cities of Shenzhen and Dalian also enjoy provincial-level status. The next level includes over 200 prefecture and municipal tobacco monopoly bureaus/corporations, which in

turn monitor the bottom level of the pyramid that includes about 1,800 county tobacco bureaucracies. According to one official source, the STMA/CNTC altogether had a total workforce of 510,000 around the middle of the last decade.²²³

CHART 4-2: FOUR PYRAMID LEVELS OF CONTROL OF THE STATE TOBACCO MONOPOLY IN CHINA



Source: Tao Ming, *Zhuanmai tizhixia de Zhongguo yancaoye: lilun, wenti yu zhidu biange* (China's tobacco industry under state monopoly: Theories, issues and institutional reforms), Shanghai: Xuelin chubanshe, 2005, p. 21. Converted to a chart and updated by Cheng Li.

All of these institutional networks—both horizontal and vertical—provide the tobacco bureaucracy with great advantages when it comes to advancing the interests of the tobacco industry. The Chinese government acknowledges that the tobacco industry's adoption of “monopoly” status “has put into full play the advantages of its management system” and “ensured a continuous increase of economic returns.”²²⁴ The tobacco industry gained 24 billion yuan in revenue (profits and tax) in 1989, 2.2 times the 7.5 billion yuan of revenues in 1981, before the adoption of the tobacco monopoly law. From 1982

to 1989, China gained combined profits and taxes of 124.1 billion yuan, 2.3 times more than the total revenues from the previous eight years (1974-1981).²²⁵ More significantly, the last decade has become the “fastest growth period” in the development of China’s tobacco industry.

THE FASTEST GROWTH PERIOD AND THE NEW INDUSTRIAL STRATEGY

According to a WHO report in 2004, more than 120 companies worldwide produce tobacco products; some of them were local, national, or state-owned, but the world’s cigarette market was largely controlled by only a handful of gigantic tobacco companies. The combined net revenue of the three top multinationals—Altria Group, Inc (formerly known as Philip Morris), British American Tobacco (BAT) and Japan Tobacco International (JTI)—came close to US\$100 billion per year, “surpassing the gross national income of all but the-then 35 richest countries in the world.”²²⁶ According to the Chinese government’s own account, the STMA/CNTC is by sales the largest single manufacturer of tobacco products in the world, and accounts for 40 percent of the world’s total consumption of cigarettes. In 2011, its revenue (taxes and profits) was 753 billion yuan (US\$119.5 billion).²²⁷

The rapid growth of China’s tobacco industry and its significant role in global production and consumption is a relatively new phenomenon. For the greater part of the first three decades of the PRC, Chinese citizens had to have cigarette stamps to purchase cigarettes because of supply shortages. In the 1960s, China’s tobacco production accounted for 18 percent of the world total; in 1978 it increased to 20 percent and has jumped to 40 percent over the past decade.²²⁸ China is also the world’s largest cultivator of tobacco, producing about 2.66 million tons of tobacco leaf annually—one-third of the global total.²²⁹ In 1978 China’s tobacco acreage was 784,000 hectares and accounted for 0.52 percent of the country’s total crop sown area

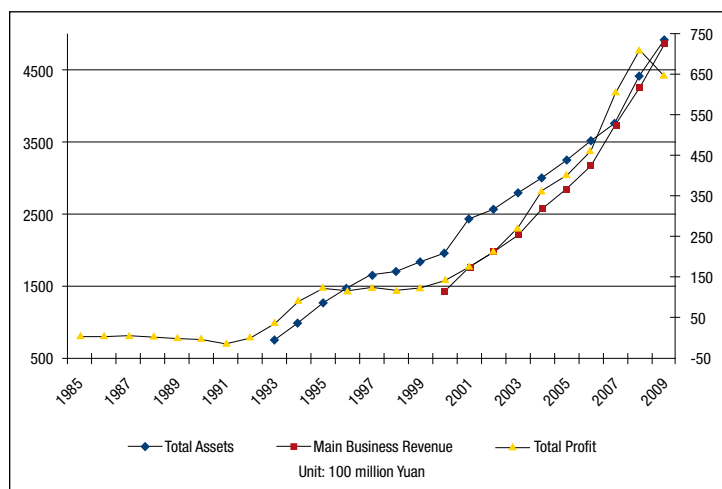
of 150,104,000 hectares. In contrast, in 2009 China's tobacco acreage was 1.392 million hectares and accounted for 0.88 percent of the country's total crop sown area of 158,639,000 hectares.²³⁰ According to a PRC scholarly study released in 2005, the production area of flue-cured tobacco reached 14,380,000 *mu* (one *mu* is approximately one-sixth of an acre) in 2003, only behind the production areas of grain, cotton and cooking oil.²³¹ China's tobacco-related industrial employees (mainly factory workers) also increased by 3.27 times, from 66,500 in 1972 to 215,600 in 2003.²³²

Chart 4-3 shows the rapid growth in assets, revenues, and profits of China's tobacco processing and manufacturing industries from 1985 to 2009. It is evident that the last decade was the fastest growth period in China's tobacco industry. In various aspects of the tobacco business, the growth has been astonishing; for example, assets, production, tax, and profits all increased several times over. Chart 4-4 presents annual cigarette production in China from 1952 to 2009. Cigarette production was about 500 billion cigarettes in 1980 and then skyrocketed to 2.3 trillion in 2009.

An overwhelming majority of these cigarettes were consumed domestically. In 2003, for example, China exported 11.1 billion cigarettes, accounting for only 0.62 percent of total sales that year.²³³ Similarly, in 2005, China's cigarette exports accounted for only 1.8 percent of the global total, and China's tobacco leaf exports accounted for only 3.5 percent of the global total.²³⁴ China's cigarette exports have remained insignificant in terms of the divide between domestic consumption and foreign sales. Meanwhile, foreign cigarettes have only occupied about 2 percent of China's market in recent years.²³⁵ After the PRC was admitted to the WTO in 2001, the tariffs on foreign tobacco were dropped from 40 percent to 10 percent and the tariffs on foreign cigarettes were reduced from 36 percent to 25 percent. This, however, has not generated any increase in the consumption of foreign-brand cigarettes among Chinese smokers.

The rapid increase of cigarette consumption in China is, of course, a product of several factors. One is that the amount of consumption per individual has also significantly increased. According to estimations from the 2000 WHO report, the annual per capita consumption of cigarettes per Chinese adult 15 years of age and over was 730 in 1970-72, 1,290 in 1980-82, and 1,900 in 1990-1992.²³⁶

CHART 4-3: ASSETS, REVENUE AND PROFIT OF CHINA'S TOBACCO PROCESSING AND MANUFACTURING INDUSTRIES (1985-2009)



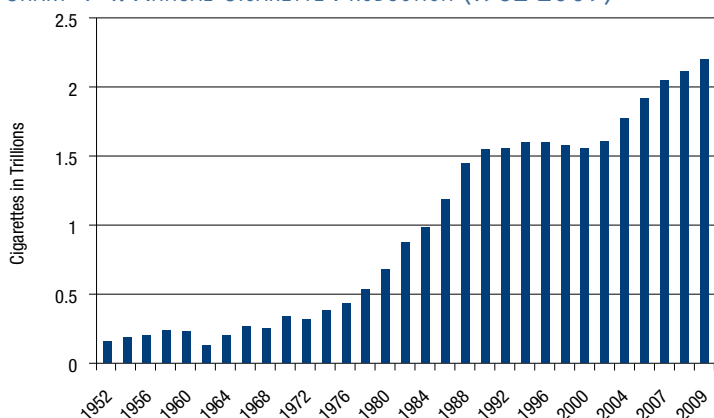
Source: National Development and Reform Commission (NDRC) Research Institute of Industrial Economy and Technology, *Woguo yancao changye zhuanxing yanjiu* (The Study of the Transition of China's Tobacco Industry). February 10, 2011, p. 7.

The special advantages that the tobacco bureaucracy enjoys and the rapid growth of the tobacco industry in turn make STMA/CNTC very lucrative. According to Sichuan University economist Hu Liangyu's research on the distribution of profits of the entire Chinese tobacco industry, state tax revenue accounted for 40 percent, the production enterprises received 10 percent, retailers obtained 10 percent, and the remaining 40 percent went to the STMA/CNTC.²³⁷

More recently, the STMA/CNTC has pursued a new development strategy that aims to make China's tobacco industry

more competitive in the global market with improved brand name recognition and more technologically advanced equipment. In planning the industrial reorganization, officials in the Chinese tobacco bureaucracy have often characterized China's tobacco industry as "being not strong, not competitive, not efficient, and not concentrated."²³⁸ In 2003, for example, the top eight tobacco factories in China accounted for only 26.4 percent of the production of the national market.²³⁹ Therefore, the STMA decided not to give production licenses to factories with annual productivity below five billion cigarettes in order to encourage the mergers of tobacco factories.²⁴⁰

CHART 4-4: ANNUAL CIGARETTE PRODUCTION (1952-2009)



Notes and Sources: Yang Gonghuan, "Jiangjiao jianhai' shi Zhongguo yancao qiye duikang kongyan de zhongyao celue" ("Tar Harm Reduction" is the Chinese Tobacco Companies' Main Strategy against the Tobacco Control). An unpublished paper to be presented at the "Innovative History Conference on Critical Industry Studies in Cigarette Production Before, During and After "Liberation", Peking University, Beijing, March 2012, p. 9.

The last decade has witnessed the frequent mergers of tobacco companies throughout the country. The total number of cigarette companies decreased from 180 in 1997, to 123 in 2002 and to 30 in 2009.²⁴¹ In 2008, the Hongyun and Honghe groups merged and became China's largest tobacco company and the fifth largest in the world.²⁴² Table 4-1 lists China's total 31 cigarette factories/enterprises (before the Hongyun-Honghe merger), including their locations, tobacco companies with which they are affiliated, and their total annual production in 2005.

Table 4-1 shows that in 2005, China had a total of 19 tobacco companies and 31 tobacco industrial enterprises, with most of them located in Yunnan, Hunan, Shanghai, Henan, Jiangsu, Zhejiang, Shandong and Guizhou. They can be lumped into three geographical groups: 1) the Shanghai group, including Shanghai, Jiangsu, Zhejiang, Beijing and Tianjin; 2) the Yunnan group, including the northeastern and southwestern parts of China as well as Hainan; and 3) the Hunan group, including Hunan, Hubei and central China.²⁴³ These companies and enterprises/factories are expected to continue to agglomerate in the near future. Director of STMA Jiang Chengkang stated in 2007 that the aim of the industrial reorganization and reforms was to consolidate all of the country's tobacco factories into 10 large-scale tobacco enterprises through mergers and reorganizations within the next five years.²⁴⁴

TABLE 4-1: AN OVERVIEW OF CHINA'S TOBACCO PRODUCTION ENTERPRISES (2006)

Enterprise/Factories Name	Location	Tobacco Company Affiliation	Total Annual Production (boxes) in 2005
Hunan Tobacco Company	Hunan	Hunan Tobacco Company	3,020,000
Henan Tobacco Company	Henan	Henan Tobacco Company	2,960,000
Hongta Group	Yunnan	Yunnan Tobacco Company	2,650,000
Hongyun Group Tobacco Co. Ltd.	Yunnan	Yunnan Tobacco Company	2,520,000
Wuhan Tobacco Group Corporation	Hubei	Hubei Tobacco Company	2,270,000
Guizhou Tobacco Company	Guizhou	Guizhou Tobacco Company	2,040,000
Anhui Tobacco Company	Anhui	Anhui Tobacco Company	1,950,000
Guangdong Tobacco Company	Guangdong	Guangdong Tobacco Company	1,830,000
Shanghai Tobacco Group Corporation	Shanghai	Shanghai Tobacco Group Corp.	1,690,000
Jiangsu Tobacco Company	Jiangsu	Jiangsu Tobacco Company	1,550,000

Enterprise/Factories Name	Location	Tobacco Company Affiliation	Total Annual Production (boxes) in 2005
Zhejiang Tobacco Company	Zhejiang	Zhejiang Tobacco Company	1,540,000
Sichuan Tobacco Company	Sichuan	Chuanyu Tobacco Company	1,520,000
Yizhong Group	Shandong	Shandong Tobacco Company	1,470,000
Honghe Cigarette Factory	Yunnan	Yunnan Tobacco Company	1,320,000
Xiamen Cigarette Factory	Fujian	Fujian Tobacco Company	1,220,000
Shaanxi Tobacco Company	Shaanxi	Shaanxi Tobacco Company	1,200,000
Guangxi Tobacco Company	Guangxi	Guangxi Tobacco Company	1,060,000
Jiangjun Group	Shandong	Shandong Tobacco Company	830,000
Chongqing Tobacco Company	Chongqing	Chuanyu Tobacco Company	800,000
Nanchang Cigarette Factory	Jiangxi	Jiangxi Tobacco Company	780,000
Harbin Cigarette Factory	Heilongjiang	China Tobacco Enterprise	720,000
Zhangjiagang Cigarette Factory	Hebei	Hebei Tobacco Company	670,000
Hebei Baisha Tobacco Co., Ltd.	Hebei	Hebei Tobacco Company	520,000
Hongta Liaoning Tobacco Company	Liaoning	China Tobacco Enterprise	420,000
Lanzhou Cigarette Factory	Gansu	China Tobacco Enterprise	420,000
Jilin Tobacco Company	Jilin	Jilin Tobacco Company	330,000
Shenzhen Cigarette Factory	Guangdong	China Tobacco Enterprise	320,000
Shanxi Kunming Tobacco Co. Ltd.	Shanxi	China Tobacco Enterprise	240,000
Neimenggu Kunming Tobacco Co. Ltd.	Inner Mongolia	China Tobacco Enterprise	240,000
Beijing Cigarette Factory	Beijing	Shanghai Tobacco Group Corp.	230,000
Tianjin Cigarette Factory	Tianjin	Shanghai Tobacco Group Corp.	220,000
Total			38,560,000

Note and source: Baidu Collection, available online on March 2, 2012, <http://wen-dang.baidu.com/view/ff25761dfad6195f312ba6d1.html>. Revised by Cheng Li.

CHINA'S INTER-AGENCY COORDINATING FRAMEWORK ON TOBACCO USE AND CONTROL

Despite the great advantages of the STMA/CNTC in promoting the tobacco industry in China, several other governmental institutions that are significantly involved in tobacco use and control may undermine its role and influence. The STMA/CNTC's bureaucratic status in the State Council is relatively low and does not reflect its real power. Specifically, the head of the STMA holds vice-ministerial rank and has clout within the bureaucracy as a member of MIIT's CCP Standing Committee. More importantly, the STMA/CNTC's relationship and interactions with other governmental institutions are not harmonious due to diverging bureaucratic interests. Even if they sometimes work closely together, their relationship and interaction are often subject to change. All of these factors indicate that one must also look beyond the STMA/CNTC when analyzing the tobacco bureaucracy and governmental agencies responsible for tobacco use and control. A solid understanding of these relevant (and important) institutions, including their respective roles and bureaucratic interests, will prove enormously helpful for the anti-tobacco campaign.

In China's negotiation and eventual signing of the WHO Framework Convention on Tobacco Control, for example, approximately a dozen institutions (mainly governmental agencies) were involved. Table 4-2 lists all the institutions that sent representatives to participate in the six negotiation rounds of the FCTC in 2000-2003. Five governmental institutions attended all six of rounds, including the National Development and Reform Commission (formerly the State Planning Commission), the State Economic and Trade Commission, the Ministry of Health, the Ministry of Foreign Affairs, and the STMA. Other important governmental agencies also participated in certain rounds, such as the Ministry of Finance, the State Administration of Taxation, the State Administration for Industry and Commerce, the General Administration of

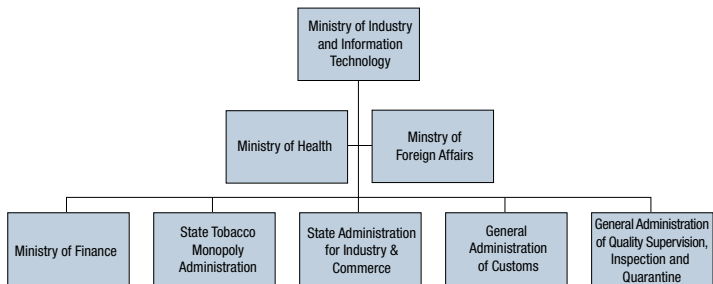
TABLE 4-2: THE INSTITUTIONAL AFFILIATIONS OF THE MEMBERS OF THE CHINESE DELEGATIONS THAT ATTENDED THE SIX NEGOTIATION ROUNDS OF THE WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

Institution	1 st October 2000	2 nd Apr-May 2001	3 rd November 2001	4 th March 2002	5 th October 2002	6 th Feb-Mar 2003
SPC/NDRC	X	X	X	X	X	X
SETC	X	X	X	X	X	X
Ministry of Health	X	X	X	X	X	X
MOFA	X	X	X	X	X	X
STMA	X	X	X	X	X	X
Ministry of Finance	X	X			X	X
SAT		X		X		X
SAIC		X		X	X	X
CAPM		X	X	X	X	X
YATR			X	X	X	X
GAOC				X	X	
GAQSIQ				X	X	X
MOA				X		

Notes and sources: CAPM=Chinese Academy of Preventive Medicine; GAOC= General Administration of Customs; GAQSIQ=General Administration of Quality Supervision, Inspection and Quarantine; MOA= Ministry of Agriculture; MOFA=Ministry of Foreign Affairs; NDRC=National Development and Reform Commission; SAIC=State Administration for Industry and Commerce; SAT= State Administration of Taxation; SETC=State Economic and Trade Commission; SPC=State Planning Commission; STMA=State Tobacco Monopoly Administration; WHO=World Health Organization; and YATR=Yunnan Academy of Tobacco Research. Liu Tienan and Xiong Bilin, eds, *Yancao jingji yu yancao kongzhi* (Tobacco economy and Tobacco control), Beijing: Jingji kexue chubanshe, 2004, pp. 353-359. Tabulated by Cheng Li.

Customs, the General Administration of Quality Supervision, Inspection and Quarantine, and the Ministry of Agriculture. Two NGOs or research institutions, the Chinese Academy of Preventive Medicine (CAPM) and the Yunnan Academy of Tobacco Research, attended most of these six meetings. The important role of the CAPM, of course, goes beyond that of a research institution. It was in fact the predecessor to the current China CDC, which was created at the time of the SARS crisis in 2003. Table 4-2 provides a valuable review of all of the Chinese bureaucratic institutions that were responsible for at least some aspects of tobacco use and control during the period of China’s FCTC negotiation.

CHART 4-5: CHINA’S INTER-AGENCY COORDINATION MECHANISM FOR THE FCTC IMPLEMENTATION (EIGHT GOVERNMENTAL AGENCIES)



Source: Yang Gonghuan and Hu Angang, eds, *Kongyan yu Zhongguo weilai: Zhong-wai zhuanjia Zhongguo yancao shiyong yu yancao kongzhi lianhe pinggu baogao* (Tobacco control and China’s future: Chinese and foreign experts joint evaluation report on China’s tobacco consumption and tobacco control), Beijing: Jingji ribao chubanshe, 2011, page 43.

In April 2007 the State Council designated eight governmental ministries and bureaus as China’s inter-agency coordination mechanism for FCTC implementation. In its early years, the lead governmental institution was the NDRC. The mechanism was originally planned to include 12 agencies. The four eventually dropped were the SAT, MOA, Ministry of Education (MOE), and the CCYL. These agencies are now brought into discussions only as needed.²⁴⁵ The eight governmental institutions ultimately selected are not of equal rank; four are

ministry-level bureaucracies (the second-tier leadership bodies in the government, next to the executive committee in the State Council) and the other four are bureau-level institutions (the third-tier leadership bodies within the State Council) and their heads usually hold a vice-ministerial rank. In terms of their relative importance on tobacco-related issues, the MIIT is now designated as the lead governmental institution in this inter-agency coordination mechanism (See Chart 4-5), while the MOH and MOFA carry more weight than the other five due to the importance of their areas of responsibility.

TABLE 4-3: THE DIVISION OF DUTIES OF CHINA’S EIGHT CENTRAL GOVERNMENT ORGANS ON IMPLEMENTATION OF THE WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

Institution	Division of Responsibilities regarding the FCTC Treaty	Web Link
Ministry of Industry and Information Technology	Implement the work plan, research the transition of and alternatives to the tobacco industry, and report on performance and exchange information.	http://wgj.miit.gov.cn
Ministry of Health	Prevent the public from exposure to smoking, promote public education, monitor prevalence levels of tobacco use, and communicate with the FCTC Secretariat.	http://www.moh.gov.cn
Ministry of Foreign Affairs	Advise other agencies on China’s obligations under the treaty, lead PRC’s official delegations to FCTC conferences, coordinate Hong Kong and Macao Special Administrative Regions’ compliance with the treaty and promote foreign exchange and cooperation.	http://www.fmprc.gov.cn

Institution	Division of Responsibilities regarding the FCTC Treaty	Web Link
Ministry of Finance	Develop strategies to reduce the demand for tobacco, establish price and tax measures, and research financial resources and assistance mechanisms.	http://www.mof.gov.cn
State Tobacco Monopoly Administration	Package, label and regulate tobacco products (printing warning labels on cigarette packs), disclose tobacco production information, ensure higher taxation on tobacco products, combat illicit trade in tobacco, and regulate tobacco advertising.	http://www.tobacco.gov.cn
State Administration for Industry and Commerce	Regulate tobacco advertising and combat illicit tobacco trade.	http://www.saic.gov.cn
General Administration of Customs	Combat illicit trade in tobacco products (mainly smuggling).	http://www.customs.gov.cn
General Administration of Quality Supervision, Inspection and Quarantine	Package and label tobacco products.	http://www.aqsiq.gov.cn

Source: Cheng Li, China Medical Board Research, March 2012; and Yang Gonghuan, CDC.

Table 4-3 provides a summary of the division of duties of China's eight central government organs for the implementation of the FCTC. It gives essential information for the anti-smoking campaign to pursue its particular objectives in various aspects of tobacco control. Each and every one of these eight leadership bodies also designates one senior leader (usually vice

minister or deputy director) to be the institution's principal representative responsible for the coordinating mechanism of China's implementation of the FCTC. Table 4-4 provides information on the current nine individual leaders and their brief personal and professional backgrounds. This includes the principal representatives of these eight institutions plus Miao Wei, Minister of the MIIT, who oversees the coordinating mechanism.

Among these nine leaders, only one, the Deputy Director of General Administration of Quality Supervision, Inspection and Quarantine Pu Changcheng, participated in the negotiation and signing of the FCTC. He is expected either to move to another leadership post or retire in the near future according to the political norms of elite recruitment and promotion in China. Several of them were newly appointed to their current leadership positions in their respective ministries or bureaus, replacing their predecessors in the same institutions who previously served on this inter-agency coordination group. In 2009, Vice Minister of Foreign Affairs Cui Tiankai, an internationally regarded diplomat and former PRC Ambassador to Japan, replaced his former colleague in the MOFA and also former Ambassador to Japan, Wu Dawei. Wu was a controversial figure in a number of international incidents and was often perceived by foreign counterparts as "arrogant" and "confrontational."²⁴⁶ Vice Minister of Finance Wang Jun, a soft-spoken technocrat who had served as a spokesperson and office director of the MOF for many years, took over in 2007 for former Vice Minister of Finance Zhu Zhigang. Zhu was later purged on corruption charges and sentenced to life imprisonment.²⁴⁷ More recently, in October 2011, newly appointed Deputy Director of STMA Yang Peisen replaced his predecessor in the STMA, the aforementioned Zhang Baozhen. Zhang was known for his controversial remarks that the "absence of cigarettes will undermine the stability of the country" (see Chapter 2). All of these new representatives in the coordination group for the implementation of the FCTC are encouraging, from the perspective of the anti-tobacco campaign, as they may

TABLE 4-4: BACKGROUNDS OF PRINCIPAL REPRESENTATIVES OF CHINA'S EIGHT CENTRAL GOVERNMENT ORGANS FOR THE WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL (FCTC)

Name	Birth year	Birth Place	Leadership Position	Tenure Since	Educational Background	Main Career Experience
Miao Wei	1955	Hebei	Minister of Industry and Information Technology	2010	M.A. in Economics (the Central Party School), B.A. in Engineering (Hefei Institute of Technology)	Vice Minister (08-10), Wuhan Party Secretary (05-08), CEO of Dongfeng Auto (99-05)
Zhu Hongren	1954	?	Chief Engineer of Industry and Information Technology	2009	M.A. (field and school unknown)	Director of Operation and Supervision Bureau, MIIT (08-09), Deputy Director of Bureau of Economic Operation, NDRC (03-08)
Liu Qian	1956	Beijing	Vice Minister of Health	2007	Visiting Scholar of Boston University and MIT, B.A. in Medicine (Shanxi Medical College)	President of Union Hospital in Beijing (04-07), Party Secretary and Executive Vice President of China Union Medical University (01-04)
Cui Tiankai	1952	Zhejiang	Vice Minister of Foreign Affairs	2009	M.A. in International Affairs (Johns Hopkins University); M.A. East China Normal University in Shanghai	Ambassador to Japan (07-09), Assistant Minister (06-07), Director of Dept. of Asian Affairs (03-06), Director of Policy Research (01-03)
Wang Jun	1958	Henan	Vice Minister of Finance	2007	Ph.D. in Politics (Peking University)	Assistant Minister (03-05), Director of General Office (98-03)

Name	Birth year	Birth Place	Leadership Position	Tenure Since	Educational Background	Main Career Experience
Yang Peisen	?	Fujian	Deputy Director of State Tobacco Monopoly Administration	2011	Unknown	Director of the State Tobacco Monopoly Bureau in Fujian Province (05-11), Director of the Development Department of STMA (04-05)
Gan Lin (f)	1963	Hunan	Deputy Director of State Administration for Industry and Commerce	2011	Post-doctoral fellow in Life Science (University of Nottingham in UK and also in Canada), Ph.D.in Horticulture (Huazhong Agricultural University in Wuhan)	Vice Governor of Hunan (03-11), Deputy Director of Department of Agriculture of Hunan (01-03)
Lu Bin	1956	Shaanxi	Deputy Director of General Administration of Customs	2007	M.A. in Politics (the Central Party School)	Director of Anti-smuggling Bureau (02-07)
Pu Changcheng	1952	Shaanxi	Deputy Director of General Administration of Quality Supervision, Inspection and Quarantine	2001	B.A. in Foreign Language (Hangzhou University)	Director of the General Office (97-01), Secretary of the Shaanxi Provincial Committee of the Chinese Communist Youth League (85-97)

Source: Cheng Li, China Medical Board Research, March 2012; and Yang Gonghuan, CDC.

be more forthcoming in implementing the FCTC, helping to actually combat China's tobacco epidemic rather than mostly just paying lip service to the cause.

Miao Wei is a rising star in the fifth generation of the Chinese leadership who may be able to obtain a seat in the Politburo of the CCP and/or a membership on the Executive Committee of the State Council in the future. Although there is no evidence thus far that Miao has taken any initiative to challenge the notion of the tobacco economy and/or make a serious effort to control tobacco use, his political ambition may turn him into a good listener who is fully aware of the cause and demands of the anti-tobacco campaign. In terms of factional background, most observers of Chinese elite politics consider Miao to be a prominent member of the elitist coalition.²⁴⁸ The factional backgrounds of most other members of the coordination group are not identified, except for the *tuanpai* leader Pu Changcheng, who served as secretary of the Shaanxi Provincial Committee of the CCYL and advanced his career through the organization. Further research needs to be conducted in order to have a clearer understanding of the patron-client ties at this level of the leadership.

It is interesting to note that several leaders in the coordinating group have had substantial foreign studies experiences. Vice Minister of Health Liu Qian was a visiting scholar at both Boston University's medical school and the Biotechnology Process Engineering Center at MIT earlier in his medical career. He also frequently visited Western countries when serving as a top administrator at the Beijing Union Hospital and the China Union Medical University in 2001-2007. Cui Tiankai received a Master's degree in international affairs from the School of Advanced International Studies at Johns Hopkins University in 1986-1987, studying under the distinguished China scholar A. Doak Barnett. Like many of his colleagues in the MOFA, Cui spent a few years as a diplomat in the United States and Japan, including two assignments at the United Nations in New York (1981-1984 and 1997-1999). Deputy Director of the State

Administration for Industry and Commerce Gan Lin is an official without CCP membership. She worked as a post-doctoral fellow in life sciences at the University of Nottingham in the UK in 1996-1997 and was also a post-doctoral fellow in the Department of Agriculture in the Canadian government from 1997-1999. These leaders' experiences in foreign studies and their close contact with international professional communities may have helped them develop a deep understanding of international norms, including the growing global embrace of smoke-free environments, and the importance of effective implementation of international agreements such as the FCTC.

DEPARTMENTAL EMPHASIS OF THE ANTI-SMOKING CAMPAIGN

The above discussion of the mechanisms for the division of responsibilities and interagency coordination within the Chinese government on tobacco-related issues can provide some guidance for the anti-tobacco campaign on how to develop more focused approaches to various governmental agencies. To a great extent, these mechanisms can be linked to the six effective tobacco control policies that counter the epidemic, outlined by *The WHO Report on the Global Tobacco Epidemic, 2008: The MPOWER Package*.²⁴⁹

- Monitor tobacco use and prevention policies.
- Protect people from tobacco smoke.
- Offer help on how to quit tobacco use.
- Warn people about the dangers of tobacco.
- Enforce bans on tobacco advertising, promotion and sponsorship.
- Raise taxes on tobacco.

The anti-smoking campaign should work with all of these government ministries and bureaus as they can each potentially play a positive role in tobacco control.

The campaign's primary focus should be on the STMA/CNTC, the most important governmental agency regarding tobacco use in the country. The anti-tobacco campaign should immediately make two important requests. First, Deputy Director Li Keming should be moved to another institution in order to avoid conflicts of interest between him and his brother, the soon-to-be premier. This may not be too difficult to achieve because it may in fact help Executive Vice Premier Li Keqiang improve his reputation as a populist leader who sincerely cares about public health issues, thus also preventing him from receiving damaging criticism from his potential political rivals. Second, the state monopoly bureau should be separated from the tobacco company at all four levels of the Chinese government. The bureau should be responsible only for development planning and distribution, and should not manage tobacco factories. This structural change should be the top priority for the tobacco control campaign. Without such a change, the expansion of the tobacco industry will remain unchecked. In addition, there should also be a clear legal and administrative distinction between tobacco companies that are responsible for sales and tobacco factories for production.²⁵⁰

The rapid growth of tobacco production and consumption in the past decade has caused some serious concerns. While overall decisions regarding the so-called tobacco economy are usually made in the MIIT's Department of Consumer Goods Industry, the STMA/CNTC is responsible for some specific areas of China's FCTC commitments, such as packaging, labeling and regulating tobacco products, disclosing tobacco production information, combating illicit trade in tobacco, and regulating tobacco advertising, as defined by the inter-agency coordinating mechanism (see Table 4-4). As a member of the MIIT CCP Standing Committee with vice-ministerial

rank, STMA chief Jiang Chengkang outranks the entire staff of the Department of Consumer Goods Industry. Consequently, STMA/CNTC itself makes many of the key decisions related to the tobacco industry.

The STMA is keen to crack down on smuggling because it hurts STMA/CNTC's bottom line. Fake, smuggled, illegally produced, and over-quota produced cigarettes have been circulated, both in China and abroad.²⁵¹ Jiang Chengkang recently told the Chinese media that in 2010 a total of 713 illegal production and/or sales networks were found in the country and shut down; the police also arrested 8,506 individuals for their involvement in the sale of illicit cigarettes that year.²⁵² By providing these data, Jiang seemed to claim that China's anti-smuggling cigarette work has made a number of achievements. The STMA has been much less eager to comply with the FCTC's requirements related to health warnings on cigarette packs.

The Campaign for Tobacco-free Kids, a partner in the Bloomberg Initiative to Reduce Tobacco Use, however, recently revealed the prevalence of illicit cigarettes in China:

China is the largest source of illicit cigarettes in the world, producing an estimated 400 billion counterfeit cigarettes every year. Ninety-nine percent of the United States' illicit cigarette market and up to 80 percent of the European Union's illicit cigarette market is supplied by China.²⁵³

A study conducted by PRC scholars in 2005 also estimated that smuggled or fake cigarettes accounted for 10 percent of the tobacco market in China.²⁵⁴ This raises serious questions about the effectiveness of the three responsible governmental agencies—the STMA, GAOC, and SAIC—in combating the production and smuggling of illicit cigarettes. It reinforces the great need to regulate the tobacco industry—an almost insurmountable challenge.²⁵⁵ The anti-smoking campaign should

be more engaged with these government institutions in addressing the fact that they all have failed in this area despite the STMA's self-pronounced "achievements."

Regarding the aspect of "protecting people from tobacco smoke," one should note that Chinese children are the most vulnerable group. Chinese law prohibits middle school and elementary school students from smoking.²⁵⁶ According to a survey conducted in 2005, however, among middle class students above the age of 15, 22.4 percent of male students and 3.9 percent of female students smoked. Another study in 2002 showed that about 48.4 percent of male teachers smoked.²⁵⁷ The anti-tobacco campaign should work closely with the Ministry of Education and Ministry of Justice to reverse the increase in smoking penetration among middle school students. One possible action is to enhance the public consciousness of laws by suing tobacco companies for targeting middle school students and even suing local governments for permitting the illegal actions of tobacco companies.²⁵⁸

The anti-smoking campaign should also work closely with the Ministry of Health on the aspect of "offering help to quit tobacco use." According to a recent survey conducted by PRC scholars, over 90 percent of smokers had no access to any help as they attempted to quit.²⁵⁹ The same study also revealed that 60 percent of patients were not asked at all by doctors whether or not they smoked; and among those who were asked by doctors about their smoking status, 70 percent were not advised to quit smoking. Based on another survey of 3,552 doctors conducted by China's CDC in 2005, 11 percent of doctors surveyed did not know smoking could cause chronic obstructive pulmonary disease and one-third of these doctors did not know smoking can cause heart disease.²⁶⁰ Even more astonishingly, as recently as 2010 about 57 percent of all male doctors in China smoked.²⁶¹

The top officials of the MOH are apparently well aware of this problem. In 2005, then Vice Minister of Health Wang Longde

told the media that there was a correlation between the high percentage of smokers in the Chinese population and the higher numbers of smokers among health professionals in the country.²⁶² In 2009, Minister of Health Chen Zhu urged health and medical professionals to quit smoking and set a good example for people to follow.²⁶³ Despite these commitments from top officials at MOH, there has been a lack of real progress when it comes to the phenomenon of high smoking rates among male doctors. In 2005, the MOH issued an action plan that called on medical and public health professionals to act as role models to cut the risks associated with smoking, but the plan has not been effectively implemented.²⁶⁴

It seems that the MOH should be more aggressive in combating the wrong attitudes and irresponsible (and unprofessional) tobacco use-related behaviors among medical workers. Anti-smoking regulations and professional ethics regarding the prevention of tobacco epidemics should be part of medical school curricula.²⁶⁵ An important factor that may help the MOH establish some tougher standards for medical personnel's smoking problems is that among China's 2 million medical doctors, half of them (48.6 percent) are women.²⁶⁶ An overwhelming majority of female doctors are non-smokers and they should be a driving force behind promoting a tobacco-free culture among Chinese public health workers.

The MOH should be even more responsible in the pursuit of "warning about the dangers of tobacco." The rate of public knowledge about the harm of cigarettes to health increased remarkably over the past decade, from 24 percent in 1996, to 35 percent in 2002, and to 90 percent in 2010.²⁶⁷ However, a large portion of the Chinese population is not willing to quit smoking due to what Vice Minister of Health Huang Jiefu identifies as a "lack of enough channels for people to obtain correct health knowledge."²⁶⁸ According to Huang, there are as many as 75 widespread misconceptions about smoking and health within the Chinese smoking population. In addition, Chinese cigarette producers and the STMA/CNTC have not

met the FCTC requirement regarding warning labels on cigarette boxes.²⁶⁹

The STMA and SAIC are the government agencies responsible for “enforcing bans on tobacco advertising, promotion and sponsorship.” They apparently need to do much more in this area. Chinese official media admit that cigarette advertisements are still everywhere—on television and movies, on the Internet and other new media, and on highways and railways throughout the country.²⁷⁰ Not surprisingly, many of the top brand names in China are cigarette brands. For example, in 2006 six cigarette brand names were ranked in the top 100 brand names in China, with Yunnan’s Hongtashan at the top of the list.²⁷¹ PRC law actually includes a ban on advertising tobacco products in radio, television, newspapers and magazines. The anti-tobacco campaign may consider using some high-profile legal cases against tobacco advertisements to enhance media outlets’ awareness of this law.²⁷²

One of the most important measures to control smoking is to “raise taxes on tobacco”—the last of the six recommended policy objectives by the WHO’s *MPOWER* package. According to a recent study by the World Bank, an increase of 10 percent in the tobacco tax can reduce 4 percent of health hazards in tobacco high-income countries, and 8 percent of health hazards in low-income and mid-income countries.²⁷³ Based on the WHO data from 2008, China’s tobacco tax rate was about 40 percent (calculated as 40 percent of the total retail price).²⁷⁴ This rate is considerably lower than in other countries, which averages about 65 percent.²⁷⁵ China’s tobacco tax rate is notably lower than other Asian countries such as India (72 percent), Singapore (64 percent), and Thailand (63 percent).²⁷⁶ Because of the low tax rate, cigarettes in China are usually cheaper than those in most other countries. For example, a pack of cigarettes costs US\$0.73 on average in China, compared with US\$1.65 in India, US\$3.31 in Japan, US\$4.58 in the United States, and US\$10.04 in Norway, which are all several times more expensive than in China.²⁷⁷ A box of Marlboros costs US\$2.04 in China while it is

US\$2.69 in South Africa, US\$9.39 in Singapore, and US\$11.48 in Norway.²⁷⁸

Average prices may disguise the fact that cigarettes vary wildly in price in China. From a public health perspective, the most important number is the price of the cheapest cigarettes. According to a study recently conducted by Hu Angang and his colleagues at Tsinghua University, 50 percent of Chinese smokers consumed cigarettes priced at 5 yuan per box or cheaper. At this price, 100 boxes of cigarettes account for only 2 percent of GDP per capita in 2009.²⁷⁹

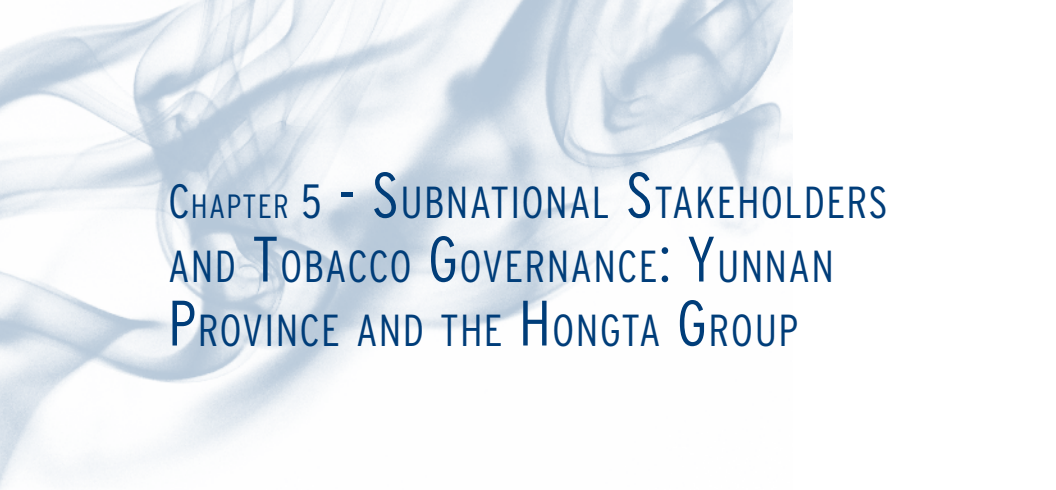
In 2009 the Chinese government did increase the tobacco consumption tax. For example, the consumption tax rates for Grade A and Grade B cigarettes increased from 45 to 56 percent and 30 to 36 percent, respectively.²⁸⁰ But for this round of the consumption tax increase, the authorities also required that both the wholesale and retail prices should not change. Consequently, the real price of cigarettes has not been increased, and thus this tax increase has had no impact on the reduction of smoking in the Chinese population. Its real purpose appears to have been to force the tobacco industry to share more of its profits with the government.²⁸¹ The survey conducted by Hu Angang and his colleagues also found that if the price of cigarette per box increased by 0.6 yuan, 54.5 percent of smokers would quit or reduce their cigarette consumption; if the price increased by 2 yuan, 73.3 percent of smokers would quit or reduce their cigarette consumption; and if the price increased by 10 yuan or above, 88.6 percent of smokers would do the same.²⁸²

The Ministry of Finance, which is supposed to develop strategies to reduce the demand for tobacco and establish price and tax measures, should be more motivated to fulfill these responsibilities. Many economists believe that the amount of revenue gained from increasing the tobacco consumption tax is higher than the amount of revenue loss due to the decrease of tobacco consumption resulting from the raise of tobacco

tax price. In other words, with strong measures to enhance the tobacco tax, the Chinese government's revenue in this area would, in fact, increase rather than decrease in the short run. The Chinese government's concern about losing government revenue due to tobacco tax/price increase is thus likely unfounded.²⁸³ More importantly, as discussed in Chapter 2, the revenue from tobacco consumption will increasingly be outpaced by the huge cost of labor loss and medical expenses due to tobacco use.

All six of these tobacco control efforts are closely linked to each other. For example, an increase in the tobacco consumption tax and cigarette prices may increase tobacco smuggling and other means of profiting from illicit cigarettes. Thus, combating illicit cigarettes will require more interagency coordination and more aggressive approaches on the part of responsible governmental institutions.

The national level of coordination, though crucial, is by no means the only important aspect of promoting tobacco control. Local governments, especially in provinces such as Yunnan where tobacco taxes contribute a significant portion of the local government revenue, are major stakeholders. Any discussion of tobacco-related taxes must also take into account the real distribution of tax revenue in terms of the central-local division. It should also be noted that the STMA/CNTC's tobacco development strategies and lobbying efforts are often first and foremost pursued by tobacco enterprises, especially flagship companies such as the Hongta Group in Yunnan Province's Yuxi City. A holistic and well-grounded anti-smoking campaign must include extensive provincial-level and factory level analyses—the subjects of the following chapter.



CHAPTER 5 - SUBNATIONAL STAKEHOLDERS AND TOBACCO GOVERNANCE: YUNNAN PROVINCE AND THE HONGTA GROUP

China's top political leadership and the national tobacco bureaucracy are among the most crucial stakeholders in the country's tobacco development and control. That being said, one must not downplay the role of subnational stakeholders in this multi-faceted and multi-layered "tobacco economy." Efforts to curtail tobacco production in China on the part of the anti-smoking campaign inevitably touch the most sensitive nerves of certain provincial governments due to their heavy reliance on the tobacco industry's significant economic contributions. The anti-smoking campaign also directly challenges the very existence of tobacco companies and factories by undermining some of their essential strategies for the promotion of tobacco use, including public relations campaigns, political lobbying, and tobacco advertisements.

The top political leadership and national government agencies in Beijing may be concerned about issues such as China's implementation of the FCTC, the ongoing health crisis sparked by the tobacco epidemic, and the long-term negative economic impact. In contrast, most local government officials are interested primarily—or perhaps even only—in today's economic growth. Those provinces and cities that have a heavy tobacco business presence often aim to maximize the profits of the tobacco monopoly in their localities without any concerns for China's international commitments. Tobacco development's long-term economic implications for the country seemingly have no bearing on them.²⁸⁴ In those province and cities, top leaders including party secretaries, governors,

and mayors have often personally participated in negotiations with national leadership bodies such as the SPC, NDRC, and STMA, especially on issues of production distribution and revenue/tax divides.²⁸⁵

As for tobacco companies and factories, they have been the most aggressive players in political lobbying to promote tobacco development in the country. Not surprisingly, tobacco-related official corruption has been rampant, although the number of those who have been caught and jailed is very small. Some of the most widely-noticed corruption cases in China during the past decade have had roots in the tobacco industry and involved three levels of leadership—national, provincial and company. All of the above observations indicate that effective governance of the “tobacco economy” is essential.

This chapter pursues two subnational levels of analysis. At the provincial level of analysis, the study focuses on Yunnan Province, where tobacco is the biggest industry and tobacco taxes contribute nearly half (48.8 percent) of local government revenue.²⁸⁶ At the tobacco company/factory level of analysis, the study uses the Hongta Group in Yuxi City, Yunnan Province, as a case study. By examining these two prominent subnational entities in China’s tobacco development, the chapter aims to reveal some major tensions in the governance of this important sector, including how the revenue divide intensifies the tensions between the central and provincial governments, how tobacco-related corruption penetrates politics at these two levels of leadership and beyond, and how provincial and factory leaders pursue political lobbying and form industry-based coalitions in Beijing. The chapter concludes with a brief discussion of scenarios of industrial diversification in both cases.

UNEVEN DEVELOPMENT AND LOCAL PROTECTIONISM

Uneven regional production of both tobacco leaves and cigarettes is an important feature of China’s tobacco industry.

Although a majority (27, to be exact) of China's 31 provincial entities currently plant tobacco, production has been concentrated in a few provinces, namely Yunnan, Guizhou, Henan and Sichuan.²⁸⁷ These four provinces accounted for 61 percent of the total tobacco planting area in the country in 2010 (see Table 5-1). According to a Chinese official account, in 2004, over 70 percent of tobacco leaves were produced in the central and western provinces, generally considered to be less developed regions in China. Based on research by American economist Teh-wei Hu and his Chinese colleagues, among the 510 counties that produce tobacco leaves, 185 are key national-level poverty alleviation counties. Others are key provincial-level poverty alleviation counties.²⁸⁸

Tobacco production is very important for economic development in those regions. The contribution of the tobacco industry to government revenue in some provinces and cities was 40 percent to 80 percent of overall government revenue in 2004.²⁸⁹ In Anhui province's Bengbu City and Chuzhou City, for example, tobacco revenue and profits accounted for 70 percent of the total revenues and profits of these cities in 2009.²⁹⁰ Also in 2009, in a number of provinces (most noticeably Yunnan, Hunan, Guizhou, and Henan), tobacco revenue and profits all accounted for double-digit revenue and profits.²⁹¹ Even Shanghai, with its impressively large, diverse and well-developed economy, still received 10 percent of its total tax revenue from cigarettes in 2007.²⁹²

Table 5-1 also shows that several provinces have much higher percentages in terms of tobacco acreage as a portion of the total sown area of crops: Yunnan (6.4 percent), Guizhou (4.1 percent), Fujian (3.1 percent), Chongqing (1.6 percent), Sichuan (1.3 percent), and Hunan (1.2 percent). None of the other provincial entities surpasses one percent. Nationwide, there are over 500 counties and 4,400 towns and villages that presently plant tobacco leaves, with roughly 570,000 households and 22 million farmers engaging in tobacco farming, according to a recent NDRC report.²⁹³ Many of them are located in Yunnan and Guizhou.

Uneven regional development of the “tobacco economy” is also evident in cigarette trading volume by province. Table 5-2 shows that Yunnan, Hunan, Hubei, Shanghai and Guizhou occupy the top five spots in terms of cigarette trading volume. Yunnan Province yields 301.4 billion in trading volume of cigarettes and 28.31 percent of the national total, accounting for 72.5 billion yuan. In contrast, Gansu Province yields only 11.7 billion in trading volume of cigarettes and 1.2 percent of the national total, accounting for 1.7 billion yuan.

TABLE 5-1: AN OVERVIEW OF THE TOBACCO ACREAGE IN 2010 BY PROVINCE

Province	Tobacco acreage (1,000 hectares)	Flue-cured tobacco acreage (1,000 hectares)	Tobacco acreage as a percentage of the total sown area of crops	Tobacco acreage as a percentage of the total cultivated area of tobacco in China
Yunnan	405.7	387.4	6.39	29.15
Guizhou	197.8	184.9	4.14	14.21
Henan	127	111.7	0.90	9.13
Sichuan	121.5	102.3	1.28	8.73
Hunan	96.3	93	1.20	6.92
Hubei	74.6	55.9	0.99	5.36
Fujian	69	68.5	3.05	4.96
Chongqing	52.6	43.9	1.59	3.78
Shandong	45.7	45.3	0.42	3.29
Heilongjiang	37.3	32.3	0.31	2.68
Shaanxi	36.8	36	0.89	2.65
Guangdong	24.7	22.6	0.55	1.78
Jilin	23.4	12.9	0.46	1.68
Guangxi	20.1	16.3	0.34	1.44
Jiangxi	18.1	17.5	0.34	1.30

Province	Tobacco acreage (1,000 hectares)	Flue-cured tobacco acreage (1,000 hectares)	Tobacco acreage as a percentage of the total sown area of crops	Tobacco acreage as a percentage of the total cultivated area of tobacco in China
Liaoning	12.5	11.4	0.32	0.90
Anhui	10.4	10.2	0.12	0.75
Gansu	4.4	3.5	0.11	0.32
Neimenggu	4.2	2.9	0.06	0.30
Shanxi	3.8	3.6	0.10	0.27
Hebei	3	2.4	0.03	0.22
Zhejiang	1.5	0	0.06	0.11
Xinjiang	0.6	0.6	0.01	0.04
Ningxia	0.4	0.4	0.04	0.03
Jiangsu	0.2	0	0.01	0.02
Qinghai	0.2	0	0.04	0.01
National Total	1391.9	1265.4	0.88	100

Notes and Sources: The tobacco acreage of Beijing, Shanghai, Tianjin and Tibet is zero. National Development and Reform Commission (NDRC) Research Institute of Industrial Economy and Technology, *Woguo yancao chanye zhuanxing yanjiu* (The Study of the Transition of China's Tobacco Industry). February 10, 2011, pp. 3-4. Also 2010 nian Zhongguo tongji nianjian (China Statistics Year Book 2010). (Beijing: Zhongguo tongji nianjian chubanshe, 2011).

TABLE 5-2: AN OVERVIEW OF THE CIGARETTE TRADING VOLUME IN 2009 (BY PROVINCE)

Province/City	Cigarette Trading Volume (billion)	Percentage of the Whole Country	Trading Amount (billion yuan)
Yunnan	301.4	28.31	72.5
Hunan	106.6	10.01	31.1
Hubei	70.4	6.61	12.8
Shanghai	69.3	6.51	30.3

Province/City	Cigarette Trading Volume (billion)	Percentage of the Whole Country	Trading Amount (billion yuan)
Guizhou	56.9	5.35	6.9
Sichuan	55.1	5.18	9.5
Anhui	46.1	4.33	5.8
Zhejiang	44.6	4.19	9.9
Henan	41.5	3.90	4.7
Guangdong	40.0	3.77	7.9
Shandong	38.4	3.61	5.3
Jiangsu	31.8	2.99	10.9
Fujian	29.8	2.80	4.8
Shaanxi	16.3	1.53	1.6
Jilin	16.1	1.51	3.4
Jiangxi	14.7	1.38	1.8
Beijing	12.4	1.17	2.0
Gansu	11.7	1.10	1.7
Heilongjiang	10.4	0.97	0.8
Guangxi	8.7	0.81	10.4
Liaoning	8.6	0.81	14.9
Shenzhen	8.2	0.77	17.2
Hebei	8.1	0.76	10.0
Inner Mongolia	6.9	0.65	10.6
General Company	5.0	0.47	6.2
Shanxi	4.2	0.39	6.6
Hainan	1.1	0.11	1.7
National Total	1,064.7	100.0	231.8

Notes and Sources: Guojia yanco zhuantaiju (China Tobacco Monopoly Administration), *Zhongguo yanco nianjian 2009* (China tobacco yearbook, 2009). Beijing: Zhongguo kexue jishu chubanshe, 2010.

Uneven development and growing local competition have also led to region-based protectionism in cigarette production. As PRC scholar Liu Wei notes, provincial governments often issue official orders to tobacco companies in their provinces to sell locally-made cigarettes in their provinces above a certain quota. In the same vein of local protectionism, local police departments and tax bureaus often inspect their local cigarette markets.²⁹⁴ According to a study conducted in 2001, only three province-level entities (Shanghai, Yunnan and Guizhou) sold less than 40 percent locally-made cigarettes in their own respective province/city. Some provinces (Hainan, Gansu, Ningxia, Hebei, Inner Mongolia and Liaoning) sold almost 100 percent locally-made cigarettes in the same province.²⁹⁵ In 2002, about 74 percent of the cigarettes were sold in the same province and cross-province sales accounted for only 26 percent.²⁹⁶ In 2009, one Chinese local government in Hubei even “ordered all its public sector workers to smoke a local brand of cigarettes to boost the provincial economy,” as reported in both the national and international media.²⁹⁷ The more provincial-produced cigarettes are sold in a province, the more tax the local government of that province will likely collect.²⁹⁸

TOBACCO TAX DIVIDES BETWEEN CENTRAL AND LOCAL GOVERNMENTS

Before 1980, China’s tobacco industry was largely managed by provincial governments instead of Beijing.²⁹⁹ Two major events—the establishment of the STMA/CNTC in the early 1980s and the central-local tax distribution system (*fenshui*) adopted in 1994—have had profound impacts on the industrial management and business incentives of the tobacco development in terms of central-local relations. In general, the tobacco industry contributes three types of revenue income: 1) taxes; 2) profits; and 3) other types of taxes and fees. The first type of income is the main source, while the other two are very small in terms of the total amount.³⁰⁰

Table 5-3 explains the distribution of tobacco-related tax revenue income in China in 2009. The total tobacco-related tax revenue was 384.6 billion yuan, among which 208.4 billion yuan (54.2 percent) was from the cigarette consumption tax. Value-added tax and corporate income tax accounted for 22.7 percent and 12.6 percent, respectively. Urban maintenance and construction tax, tobacco leaf tax, and tobacco business personal income tax were each around 1-5 percent of the total. Other taxes such as tobacco production-related property taxes, stamp duty, urban land use tax, and land value-added tax were trivial.

Table 5-4 illustrates the distribution of tobacco tax revenue between the central and local governments. Tobacco consumption tax, which accounts for the largest portion of the tobacco-related tax, goes entirely to the central government. The central government also receives 75 percent of the value-added tax, the second largest portion of the tobacco-related tax. As for the third largest portion of tobacco-related tax, the corporate income tax, the central government collects 100 percent from those firms established after 2002 (or 60 percent from those firms founded before 2002). The central government and local governments also share the tobacco business personal income tax (60 percent for the central and 40 percent for the local).

Local governments receive 25 percent of the value-added tax, and thus they pay great attention to value-added tax of tobacco. Some other relatively smaller portions of the total tobacco-related taxes such as the tobacco leaf tax, urban maintenance and construction tax, cigarette sales tax, and tax surcharge for education go entirely to local governments.³⁰¹ The leaf tax, assessed on production of tobacco leaves has been particularly significant for local governments since 2004, when the central government abolished all other agricultural taxes. Because of the leaf tax, local governments often put pressure on farmers to grow tobacco rather than other crops. According to a study conducted by PRC scholars, in 1994-2000 on average

TABLE 5-3: TOBACCO-RELATED TAX REVENUE INCOME IN CHINA IN 2009

Tax type	Amount of tax collected (1 billion yuan)	Percentage of total
Cigarette consumption tax	208.4	54.2%
Value-added tax	87.3	22.7%
Corporate income tax	48.3	12.6%
Urban maintenance and construction tax	19.4	5.0%
Tobacco leaf tax	8.1	2.1%
Tobacco business personal income tax	4.0	1.0%
Other taxes*	9.1	2.4%
Total	384.6	100.0

Note and Source: *Other taxes include tobacco production-related property taxes, stamp duty, urban land use tax, and land value-added tax. Wang Li and others, *Zhongguo shuiwu nianjian 2010* (Tax Year Book of China, 2010). Beijing: Zhongguo shuiwu chubanshe, 2010, pp. 552-595. Calculated and tabulated by Cheng Li.

TABLE 5-4: DISTRIBUTION OF TOBACCO TAX REVENUE BETWEEN THE CENTRAL AND LOCAL GOVERNMENTS

Tax revenue for the central government	Tax revenue shared by the central & local governments	Tax revenue for local governments
* Cigarette consumption tax	* Value-added tax (75% for central and 25% for local)	* Tobacco leaf tax
* Corporate income tax (for firms founded after 2002, 100% to central government)	* Corporate income tax (for firms founded before 2002, 60% for central and 40% for local)	* Urban maintenance and construction tax
	* Tobacco business personal income tax (60% for central and 40% for local)	* Cigarette sales tax
		* Tax surcharge for education

Note and Source: Hu Dewei (Teh-wei Hu), ed, *Zhongguo yancao shuishou: lishi yange, xianzhuang ji gaige* (Tobacco tax in China: Past development, current status and reform prospects), Beijing: Zhongguo shuiwu chubanshe, 2009, p. 63. Tabulated by Cheng Li.

the central government received 81.4 percent of the total revenue of tobacco, and local governments obtained 18.6 percent.³⁰² Despite the fact that the central government collects an overwhelmingly large percentage of the tobacco-related tax, the small sum for local governments can in fact still be a major source of revenue for certain provinces. Local governments have strong incentives to promote tobacco consumption because of the enormously positive connection between production and consumption. As a recently released NDRC report indicated, the taxation of tobacco products in China is generally the highest among all products, and it can serve as a “money printing machine” for some provinces.³⁰³ This is perhaps especially true in the case of Yunnan Province, known as the “Tobacco Kingdom.”

PROVINCIAL LEVEL ANALYSIS: THE CASE OF YUNNAN

For the past two decades, Yunnan’s tobacco industry has played the most prominent role in both the local economy of the province and the national tobacco industry. The province has maintained its national “firsts” in the “number of famous brands, total output, sales volume, portion of market, foreign exchange earnings, tariffs, and facilities and technology.”³⁰⁴ As discussed earlier, in recent years Yunnan’s tobacco acreage accounted for 29.2 percent of the total cultivated area of tobacco in China; the province’s trading volume of cigarettes constituted 28.3 percent of the national total; and tobacco-related taxes contributed to 48.8 percent of local government revenue. In 2004, Yunnan’s tobacco industry accounted for 26.4 percent of the province’s gross industrial output.³⁰⁵ In 2007, the province supplied one-third of China’s flue tobacco crop and one-fifth of the country’s total production of cigarettes.³⁰⁶

Without a doubt, Yunnan is the hub of Chinese tobacco production. Historically, the region has about a 1,000-year record of tobacco planting. But tobacco use in the modern sense was first introduced to China during the 16th and 17th centuries

from the West via two routes: 1) the Philippines and Vietnam to the south of China; and 2) Korea to the northeast of China.³⁰⁷ Tobacco cultivation was first started in Taiwan and extended to the central and southeast parts of China.³⁰⁸ China's modern production of tobacco for cigarettes began in 1914 when British American Tobacco introduced tobacco leaves to Yunnan and planted in Yuxi County the following year.³⁰⁹ The first cigarette factory in the province was set up in Kunming, the province's largest city, in 1922.³¹⁰

It should be noted, however, that Yunnan has not always been the leading province in terms of tobacco development in PRC history despite the province's long tradition of tobacco farming. In 1978, for example, Yunnan was the nation's third largest flue-cured tobacco-producing province after Henan and Shandong. Irene Eng, a scholar at the Hong Kong University of Science and Technology, observed that Yunnan Province's "output of cigarettes accounted for only 5.4 percent of the national output, ranking 6th after Henan (13.7 percent), Shandong (11.4 percent), Anhui (7.1 percent), Shanghai (7.0 percent), and Hebei (6.7 percent)."³¹¹ In 1979, tobacco production contributed only 7 percent of the province's GDP, and the figure increased to 30 percent in 1995. Similarly, in 1978, tobacco revenue (taxes and remitted profits combined) made up 25 percent of the province's total government revenue, increased to 63 percent in 1988, and reached almost 80 percent in 1997.³¹² In the late 1990s, among Yunnan's 40 million people, approximately 10 million were involved in the tobacco industry.³¹³

According to Lin Chaomin, a distinguished historian at Yunnan University, tobacco was the last of the three "pillar industries" of Yunnan Province from the 1950s to the mid-1970s. The other two industries, tea and sugar, played an even more important role in the economy of the province.³¹⁴ Tea was the main export commodity for Yunnan (and also the country as well) during most of that period. Yunnan's tobacco acreage was only about 192,200 mu in the 1950s, but significantly increased during the fifth five-year plan period (1976-1980),

reaching 4,466,000 mu. It further increased to 5,638,000 mu in 2008 with 99 counties in the province planting tobacco leaves.³¹⁵ While the country's tobacco acreage has decreased in recent years, Yunnan's tobacco acreage actually increased. Lin was very critical of the rapid expansion of the tobacco economy in Yunnan, due to his belief that it has caused many serious problems such as forest vegetation destruction, soil erosion, and heavy energy consumption (from the production of flue-cured tobacco).³¹⁶

What factors contributed to the rapid development of the tobacco industry in the province around the late 1970s and early 1980s? The relative decline of the sugar industry as a result of the large imports of sugar from Cuba on the one hand and the availability of sugar substitutes on the other apparently urged provincial leaders to make an adjustment in its industrial development. The large-scale increase of tobacco prices and high tax revenue in the mid-1980s also gave more incentive for local leaders to promote the tobacco industry. But the most important factor for the resurgence of the tobacco industry in Yunnan arguably lies in some idiosyncratic characteristics of top provincial leaders and their self-interest driven initiatives.

Table 5-5 provides an overview of top leaders (party secretaries and governors) of Yunnan Province from 1977 to present. Most of them seemed to have advanced their political careers with the help of a powerful patron either in Beijing or in Yunnan. Several of them, especially those who were born in Yunnan, played a critical role in the rapid development of the tobacco industry in the province. Pu Chaozhu and He Zhiqiang, two natives of the province, had the longest tenures as top leaders in the province in the recent history. Pu served as governor of Yunnan from 1983 to 1985 and then as provincial party secretary from 1985 to 1995; and He Zhiqiang served as governor for 14 years (from 1985 to 1998). During these years, Yunnan saw the remarkably fast growth of its tobacco industry. In contrast, some other top provincial leaders served

for only a few years. For example, Gao Yan, a protégé of former Premier Li Peng, served as provincial party secretary of Yunnan from 1995 to 1997. Gao, who was later under investigation for corruption charges, reportedly defected to Australia in 2002. He is one of the highest-ranking officials to defect to the West in PRC history.

Pu Chaozhu's personal background and his decisive role in the development of the tobacco industry in the province are remarkably revealing. He was born in Lixian County (now Huaning), which is located in Yuxi City, Yunnan Province, in 1929. He spent almost his entire career in Yunnan. In the 1950s, he served as head of the Tax Bureau of Yuxi, deputy head and then head of the Department of Finance and Commerce of Yuxi. From 1979 to 1983, Pu served as party secretary of Yuxi Prefecture, which was the home of the Hongta Cigarette Factory (the predecessor of the Hongta Group). He was instrumental in several crucial aspects, for example, expanding the size of the factory, generating a large amount of financial investment, and purchasing state-of-the-art tobacco equipment (e.g. British cigarette production machines).³¹⁷ With the help of his mentor, then Yunnan Party Secretary An Pingsheng, Pu made a great leap forward to be promoted from a prefecture leader to deputy provincial party secretary and governor of the province in 1983. As soon as he took the post of governor, Pu made the development of the tobacco industry a top priority of his leadership. In the following three years, the province purchased advanced tobacco production equipment from the United Kingdom and Japan. In 1984 alone, the province purchased foreign equipment worth US\$50 million, which was a large expenditure or investment then, especially for a poor province such as Yunnan.³¹⁸

More specifically, Pu adopted two new policy initiatives. First, Yunnan should take advantage of its high quality tobacco leaves to produce more high-grade (expensive) cigarettes. As a result, the percentage of high-grade cigarettes in the province's total production increased from 3 percent in 1983 to 30

TABLE 5-5: AN OVERVIEW OF PROVINCIAL PARTY SECRETARIES AND GOVERNORS OF YUNNAN (1977-PRESENT)

Name	Tenure	Birth Year	Birth Place	Main Career Experience	Political Background
Provincial Party Secretary					
An Pingsheng	1977-85	1917	Shaanxi	Guangxi Secretary (75-77), Guangxi Deputy Secretary (68-75)	A protégé of Tao Zhu (former Politburo Standing Committee Member)
Pu Chaozhu	1985-95	1929	Yunnan	Yunnan Governor (83-85), Yuxi Prefecture Secretary (79-83)	A protégé of An Pingsheng
Gao Yan	1995-97	1942	Jilin	Jilin Governor (92-95), Jilin Vice Governor (88-92)	Former Premier Li Peng's protégé, defected to Australia in 2002
Linghu An	1997-01	1946	Shanxi	Yunnan Deputy Secretary (93-97), Vice Minister of Labor (89-93)	Princeling (son of Li Dongye (Linghu Junwen), minister of Metallurgical Industry), and Tuanpai
Bai Enpei	2001-11	1946	Shaanxi	Qinghai Secretary (99-01), Qinghai Governor (97-99), Inner Mongolia Deputy Secretary (93-97)	Unknown
Qin Guangrong	2011-present	1950	Hunan	Yunnan Governor (06-11), Yunnan Vice Governor (03-06), Changsha Secretary (93-98)	Tuanpai

Name	Tenure	Birth Year	Birth Place	Main Career Experience	Political Background
Governor					
An Pingsheng	1977-79			See above	
Liu Minghui	1979-83	1914	Jiangxi	Yunnan Vice Governor and Deputy Secretary (68-79)	A protégé of Chen Xilian (former Politburo Member and vice premier)
Pu Chaozhu	1983-85			See above	
He Zhiqiang	1985-98	1934	Yunnan	Yunnan Vice Governor (83-85)	
Li Jiating	1998-01	1944	Yunnan	Yunnan Vice Governor (93-98), Heilongjiang Assistant Governor (92-93), Harbin Mayor (91-92)	A protégé of Wei Jianxing (former Politburo Standing Committee Member), purged in 2001 and received a death sentence (on corruption charges), suspended for two years and then commuted to life imprisonment
Xu Rongkai	2001-06	1942	Chong-qing	Deputy Chief-of-staff of the State Council (98-01), Deputy Director of Research, State Council (93-98)	A protégé of Li Lanqing (former Politburo Standing Committee Member)
Qin Guangrong	2006-11			See above	
Li Jiheng	2011-date	1957	Guang-xi	Yunnan Deputy Secretary (06-11), Guangxi Deputy Secretary (03-06)	Unknown

Note and sources: Xinhua News Agency. Tabulated by Cheng Li.

percent in 1995.³¹⁹ During that period, three high-grade brands of cigarettes—Hongtashan, Yuxi, and Yunyan—became the most famous brand names in the country. Second, Pu allocated more resources and instituted favorable policies to help the rapid growth of the Hongta Group in his birthplace and the place that he served as a top local leader. With the strong support of Pu and the provincial government, the Hongta Group adopted a “triple play” system that unified tobacco farming, production, and sale. Consequently, the Hongta Group was more competitive in the national and international tobacco markets. In 1991, the Hongta Group became the first tobacco factory in the country to earn the title “National Level Enterprise.”³²⁰

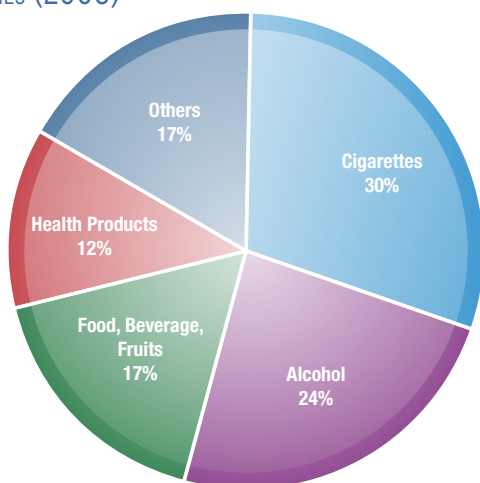
During his tenure as party secretary of Yunnan, Pu and his colleague, Governor He Zhiqiang, frequently lobbied national leaders (e.g. former Premier Li Peng) in person or by letter to adopt favorable policies for Yunnan’s tobacco industry, including tax reductions for poverty alleviation and/or natural disaster relief.³²¹ In his memoir published in 2003, Pu stated proudly that the expansion of the tobacco industry of Yunnan in general and the success of the Hongta Group in particular were his greatest legacies.³²²

TOBACCO: THE LARGEST SOURCE OF OFFICIAL CORRUPTION IN YUNNAN?

Although it was speculated from time to time throughout the 1990s that Pu Chaozhu and He Zhiqiang were involved in some tobacco-related corruption, neither of them was ever charged.³²³ Some analysts observed that government officials of Yunnan were particularly famous for “writing little notes” (*pi xiaotiaozi*) to tobacco companies and factories in the province to obtain large boxes of free high-grade cigarettes. These seemingly “trivial corruption pursuits” actually could bring big fortunes to those corrupt officials and turn them into instant millionaires or multi-millionaires.³²⁴

Expensive cigarettes have remained among the most frequently used gifts in present-day China. Chart 5-1 shows that in a survey study of six cities conducted in 2006, cigarettes were the most frequently-given gifts (30 percent), compared with alcohol (24 percent), food/non-alcohol beverage/fruits (17 percent), and health products (12 percent) among urban Chinese consumers. Another survey study conducted in 2009 revealed that 63 percent of expensive cigarettes purchased were used as gifts and only 37 percent were for the purchasers themselves.³²⁵ People in China have created an interesting parallel expression about this phenomenon: “Those who smoke expensive cigarettes do not need to buy them, and those who buy expensive cigarettes do not smoke them.”³²⁶ One positive development is that on May 26, 2012, at a State Council meeting on anti-corruption measures, Premier Wen Jiabao warned that corruption may endanger the ruling Communist Party’s survival. He specifically pledged to ban the use of public funds to buy “high-end” cigarettes and alcohol.

CHART 5-1: THE COMPOSITION OF CONSUMER GIFTS IN CHINA’S SIX MAJOR CITIES (2006)



Note and source: Yang Guang, “Liuda chengshi gaodang lipin xiaofei diaocha” (Survey of Consumer Gifts in Six Cities). *Zhongguo yancao* (China’s Tobacco), No. 9 (2006). These six cities are Beijing, Shanghai, Guangzhou, Hangzhou, Chengdu and Shenyang. Quoted in Liu Hong, *Kongzhi yancao xiaofei de shuishou zhengce yanjiu* (Studies of tax policies that aim to control tobacco consumption), Guangzhou: Zhongshan daxue chubanshe, 2009, p. 101.

Yet, over the past decade, very few officials, including those at the various levels of STMA, were ever charged for corruption. According to Chinese official data, in 2009, 7,730 people nationwide were arrested for tobacco-related illegal activities, and 3,905 among them were sentenced to jail.³²⁷ In contrast, in the same year only 22 officials in the tobacco industry were arrested on corruption charges.³²⁸ A year earlier, in 2008, only two officials in the tobacco industry were sent to jail on corruption charges.³²⁹ This phenomenon is disturbing because in the eyes of the Chinese public the various levels of the STMA, including those in the poor areas, have been known for their excessive monetary profligacy and official corruption. In 2011, the official paper *China Youth Daily* revealed that in a poor county-level the STMA bureau in Guangdong Province, officials spent 130,000 yuan for a banquet in its own cafeteria. Their monthly expenditure on business meals was about 2 million yuan.³³⁰

Yunnan Province's two largest corruption scandals in the past decade or so were tobacco-related. The first scandal resulted in the purge and death sentence of Li Jiating, the former governor of Yunnan. The second scandal related to Li Wei, a woman who began her career in tobacco smuggling in Yunnan and later became a "shared mistress" (*gonggong qingfu*) of a handful of Chinese ministerial and provincial leaders. She was involved in a number of large-scale corruption cases in the country over the past decade.

The Case of Li Jiating, former Governor of Yunnan

Li Jiating, of Yi ethnicity, was born into a poor farmer's family in Honghe Prefecture's Shiping County (near Yuxi City) in Yunnan Province in 1944. As a young man, he attended Tsinghua University in Beijing from 1963-68. After graduation, he worked in Harbin City, Heilongjiang Province for 24 years, during which time he became a protégé of Wei Jianxing, a heavy-weight politician who later served on the Politburo Standing Committee and was responsible for party discipline. Both Wei and Li worked in the same machinery industry in

Harbin through most of the 1970s. Wei served as mayor of Harbin from 1981-83. When Wei became head of the powerful CCP Organization Department in Beijing in 1985, Li was appointed to the position of executive vice mayor of Harbin. Li was later promoted to mayor of Harbin and assistant governor of Heilongjiang before being transferred to his native province in 1992. In Yunnan, Li served as executive vice governor; and in 1998, one year after Wei became a member of the Politburo Standing Committee, Li was appointed governor of Yunnan.

With such a strong patron in Zhongnanhai and his identity as a native son of Yunnan, Li had an auspicious beginning in the province as a provincial leader. It was widely noticed in the province that Li impressed some of the top leaders in Beijing including General Secretary Jiang Zemin for his good work in organizing the 1999 Kunming International Horticultural Expo.³³¹ It was also believed that Li formed strong ties with Deng Xiaoping's widow, Zhuo Lin, who was born in Xuanwei County, Yunnan province. Incidentally, Zhuo's father served as the head of the Tobacco and Wine Monopoly Bureau in the county in the Nationalist government. In addition, Li was believed to be a close friend of Deng Xiaoping's son, Deng Pufang. During his leadership tenure in Yunnan from 1992 to 2001, Li frequently went to Beijing to lobby the central government (sometimes through his friends in high places) to offer tax reductions and financial subsidies for the province, especially for its biggest industry: tobacco.³³² Informal and personal connections between provincial leaders and their patrons in Beijing have apparently carried much weight in central-local dynamics as it comes to tobacco development.

Li also developed a very close relationship with major tobacco factories in the province. It was reported by the Xinhua News Agency (after he was arrested, of course) that Li's five-bedroom residence looked like a cigarette shop (*yanpu*) filled with all sorts of expensive cigarettes sent to him as gifts by tobacco companies and factories.³³³ The two major corruption charges against him were both related to the tobacco business.

The first occurred in 1994, when Li Jiating planned to send his son, Li Bo, a graduate of the Harbin Institute of Technology, to study abroad. Sending children to study overseas is a common practice among provincial leaders in Yunnan (perhaps the whole country as well). For example, the son of Li's boss, then Provincial Party Secretary Pu Chaozhu, Pu Xiang, then a medical doctor in Kunming, was sent by the province to study in the United States as a visiting scholar in 1992. Pu Xiang later abandoned his medical career and immigrated to Canada where he became a business leader heavily engaged in trade with his native province back in China.³³⁴

To raise funds for his son's study abroad, Li Jiating asked Hong Kong businessman Yang Rong (chairman of the Huande Hong Kong Co., Ltd.) for help in 1994. Yang first bribed a police bureau in Guangdong with 500,000 yuan to grant Li Bo a regular permit to Hong Kong and later wired altogether HK\$6.4 million to Li Bo's bank account in Hong Kong. To return the favor, Li Jiating called the head of the Yunnan Province's STMA to "take care of" Yang Rong's request to export 13,000 boxes of cigarettes, from which Yang immediately profited over 10 million yuan.³³⁵ Li Bo, however, never studied abroad; instead he became an entrepreneur himself engaged in real estate, land leasing, auto, road construction and other businesses in Kunming, Harbin and Hong Kong. For instance, Li Bo was the principal representative for the Audi Auto Company in Yunnan.

Li Jiating's second corruption scandal related to the construction of the Jiahua Plaza in Kunming in 1998, which was both the first five-star hotel and the tallest building in the city then. One of Li's mistresses, Zou Lijia, the general manager of the Hong Kong New Generation Enterprise, was supposed to be the principal investor in this multi-million yuan building. But she largely failed to deliver on her financial commitment. Therefore, most of the funding actually came from the state banks in Yunnan, which was a violation of government regulations. To resolve the shortage of capital, Li asked Zi Guorui, then CEO of the Hongta Group, to spend hundreds of millions

to purchase an affiliated building in the plaza, from which Zou made a big fortune.³³⁶ The plaza was also notorious for serving as a venue for Governor Li's "personal entertainment." Li often used the venue to cultivate better political ties with officials from Beijing and elsewhere, according to the Chinese media.³³⁷

Li Jiating was arrested in the fall of 2001. He was accused of having received bribes totaling about 21 million yuan, in addition to other illegal activities, and received a death sentence in 2003 (subsequently suspended for two years and then changed to life imprisonment). His son, Li Bo, was sentenced to 15 years imprisonment. Soon after Li Jiating was arrested, his wife, Wang Xiao, who was his schoolmate at Tsinghua University, committed suicide.

The tragedy of the Li family was apparently linked to the political elite culture of Yunnan (or arguably the entire country) and omnipresent power of the tobacco industry in the province. This perhaps helps explain Li Bo's famous saying, which was widely circulated on the Chinese internet: "Which princeling does not do business nowadays? A princeling who does not possess several millions should not muddle along with other princelings who will naturally look down upon you."³³⁸ Not surprisingly, in Yunnan, many officials and their family members are seemingly interested in "obtaining something" from the over 70 billion yuan in revenue from the tobacco industry and 40 billion yuan worth of brand name cigarettes from the province.

Some observers believe that the purge of Li Jiating had more to do with the power struggle in Yunnan between Li and Party Secretary Linghu An than the alleged corruption charges.³³⁹ It was widely known among political elites in Kunming that Li and Linghu did not get along. Linghu An has a dual identity: he is both a princeling and a tuanpai official. Linghu An's father was Li Dongye (Linghu Junwen), who spent most of his political career in Dalian and later served as minister of Metallurgical

Industry from 1982-84.³⁴⁰ Like his father, Linghu An advanced his political career in Dalian after graduating from college in Beijing in 1970. He served as deputy secretary of the Dalian Youth League Committee in the late 1970s and early 1980s. He arrived in Yunnan in 1993, one year after Li Jiating's arrival. It was rumored in Kunming that Li Jiating wrote a long manifesto (*wanyanshu*) to the national leadership while under investigation for corruption charges. In the manifesto, Li accused Linghu of setting a political trap to get rid of him in Yunnan in order to monopolize his power there. Li's efforts apparently failed and the top leaders in Beijing, including Jiang Zemin and Wei Jianxing, allowed his corruption case to go to trial.³⁴¹ Interestingly enough, Linghu An was transferred out of Yunnan within a few months of the breakout of the Li Jiating case.

The Case of Li Wei, the "Shared Mistress"

Arguably no corruption scandal in PRC history has involved so many senior level leaders in so many different sectors as the case of Li Wei. Her case involved about a dozen ministerial/provincial leaders. Some of these high-ranking leaders are now in jail for life imprisonment, including the aforementioned former Governor of Yunnan Li Jiating, former Deputy Party Secretary of Shandong Du Shicheng, former Sinopec CEO Chen Tonghai, former Vice President of the Supreme Court Huang Songyou, former Vice Mayor of Beijing Liu Zhihua, former Vice President of Development Bank Wang Yi, and former Assistant Minister of Public Security Zheng Shaodong.³⁴²

It is also believed that other senior leaders (both current and recently retired to ceremonial posts) had affairs with Li Wei. This list includes former Minister of Finance Jin Renqing and former Minister of Foreign Affairs Li Zhaoxing.³⁴³ An overseas-published Chinese book used the title "shared mistress" to refer to Li Wei.³⁴⁴ These alleged sex scandals could not be verified. But in February 2011, a leading news magazine in China, *Caijing Magazine*, had a long cover story about the case of Li Wei, listing the aforementioned high-powered patrons

of hers in the Chinese leadership and presenting the details about their “exchanges of favors.”³⁴⁵

Li Wei’s saga began in the tobacco business of Yunnan Province. She was born in Vietnam in 1963. Her father was Vietnamese with a French ethnic background. Li Wei immigrated along with her father as refugees to Yunnan’s Honghe Prefecture at the age of 7. In Honghe, she was married to a top official of the Honghe Prefecture STMA, who had just divorced his first wife. Through her husband, Li Wei quickly became familiar with the business and political networks in the “Tobacco Kingdom.” In 1993, she met Li Jiating, then vice governor of Yunnan, who often visited his birthplace in Honghe. It was reported that Li Jiating introduced Li Wei to Jin Renqing who had also advanced his career in Yunnan and previously served as vice governor of the province in 1985-1991.³⁴⁶ Jin then served as vice minister of Finance and later became head of the State Administration of Taxation and Minister of Finance.

Li Wei was under investigation when Li Jiating was arrested on corruption charges in 2001. But she was able to avoid being tried along with some of Li Jiating’s other mistresses. Based on Luo Changping’s investigative report, Li Wei was quoted telling her friends about the lessons that she learned from her early career: “One should never put all the resources to one person, nor should rely on one channel, but should instead form a huge network of relationships—an umbrella-like network.”³⁴⁷ Apparently she has established such a huge network in the wake of the Li Jiating case. After 2001, she expanded her business from south and southwestern China to the central and northeast parts of the country. She established about 20 companies in Beijing, Qingdao, Shenzhen, Hong Kong and overseas, involving various fields of business, including tobacco, real estate, advertisement, oil, and security and with total assets of about 10 billion yuan. She seemed to be well protected by her patrons in high places. For example, it was reported that Li Wei had her Hong Kong visit permit signed personally by then Minister of State Security Xu Yongyue.³⁴⁸ In

a way, this is what some Chinese journalists call “a network of sex, power, and money.”³⁴⁹

In 2003, during her affair with then Party Secretary of Qingdao Du Shicheng, Li Wei asked him to lease a 61,000 square meter piece of land in the Taipingjiao area, one of the most scenic spots in the seaport city of Qingdao, to her company. She then resold the land to the Capital Group and the Qingdao Urban Construction Co., Ltd. and almost immediately received a profit of 84 million yuan.³⁵⁰ In return, Li Wei gave Du Shicheng a total of 1.7 million yuan as a bribe, for which Du was later sentenced to life imprisonment. Similarly, in 2006, another lover of Li Wei's, former Sinopec CEO Chen Tonghai, helped Li Wei earn 200 million yuan within a month and half through an equity transfer of Taishan Petroleum, a holding company of Sinopec's. Chen was arrested in 2007 for allegedly taking bribes in the amount of 195 million yuan. In 2009 he was convicted and given a death sentence (suspended for two years and later commuted to life imprisonment).³⁵¹ Interestingly enough, while Du Shicheng, Chen Tonghai, and other lovers of Li Wei's were sentenced to the death penalty or life imprisonment, Li Wei was only temporarily taken into custody on alleged tax evasion in 2006. Presently, Li Wei is free and her assets overseas have apparently continued to grow.

THE COMPANY LEVEL ANALYSIS: THE CASE OF HONGTA GROUP

The headquarters of the Hongta Group (and its main factory Yuxi Cigarette Factory) is located in Yuxi City, the central part of Yunnan Province (about 90 km from Kunming). Yuxi is known as the “city of tobacco” for about 80 percent of city's revenue from tobacco taxes.³⁵² The Yuxi Cigarette Factory was established in 1956 as a small-scale tobacco re-curing plant. It merged with several other tobacco factories to become a group company in 1995.³⁵³ Over the past few decades, it has transformed into a multi-provincial (and in fact multinational) modern

enterprise. With an annual production of 93 billion cigarettes, the Hongta Group is the biggest cigarette manufacturer in China and one of the world's largest tobacco companies.³⁵⁴ In a way, the history of the Hongta Group is the miniature of China's tobacco industry.

In 2007, it was reported that the Hongta Group's sales volume of its cigarette brand Hongmei outperformed that of Philip Morris International's core brand L & M. Recently, an official of the Hongta group told foreign media that the Yuxi Cigarette Factory floor was "capable of handling 2.5 billion sticks per day."³⁵⁵ In 2002, among the country's top 10 brand names in cigarettes, the Hongta Group had four (namely Hongtashan, Yuxi, Gonghexinxi, and Hongmei).³⁵⁶ The major brand, "Hongtashan" was awarded first prize for being the "most valuable Chinese brand" for seven years in a row (1995-2001); in 2000 the value of the Hongta brand itself was 43.9 billion yuan.³⁵⁷ In 2011, Hongtashan contributed 68.5 billion yuan in tax and profit in 2011, compared with 26 billion in 2003.³⁵⁸ In the Chinese tobacco industry, the Hongta Group has often been praised as a "Banner of China's national industry."³⁵⁹

It should be noted that the Yuxi Cigarette Factory was only a 10 million yuan asset factory in 1975; it became a tobacco giant in 1995 with 7 billion yuan in assets. Its revenue increased from 110 million yuan in 1980 to 20 billion yuan in 1996.³⁶⁰ It is widely believed in Yunnan and elsewhere that one individual, Chu Shijian, general manager of the factory from 1979-1995, played an instrumental role in the rapid rise of the Hongta Group and its predecessor, the Yuxi Cigarette Factory. His strategic approach to modernizing this tobacco factory and his legendary personal life have given him the nickname the "godfather" of the "Hongta Empire."³⁶¹

Chu Shijian: The "Godfather" of the Flagship Company of China's Tobacco Industry

Chu Shijian was born to a farmer's family in Huaning County, Yunnan Province, in 1928. A high school graduate, Chu had

broad work experiences in sugar mills, wineries, farms, livestock farms, and paper mills earlier in his career.³⁶² He joined the Chinese Communist Party in 1952 and served as director of the Personnel Office of the Yuxi Prefecture government before being appointed as general manager of the Yuxi Cigarette Factory in 1979 at the age of 51. It should be noted that Chu's appointment to the head of the factory occurred at the same time as his patron and his fellow Huaning native Pu Chaozhu served as Deputy Director of the Financial Department of the Yuxi Prefecture. In 1979, Pu began to serve as Head and Deputy Party Secretary of the Yuxi Prefecture before he became governor of Yunnan in 1983.

It is unclear who (Pu Chaozhu or Chu Shijian) first initiated the idea of a "triple play" system that unified tobacco farming, production, and sale, but the system was first implemented at the Yuxi Cigarette Factory under the direct leadership of Chu Shijian. Chu called tobacco farming the "first workshop" (*diyi chejian*) of the Yuxi Cigarette Factory and was directly involved in tobacco leaf production. In terms of management, the Yuxi Cigarette Factory, the Yuxi Tobacco Company and the Yuxi STMA became one entity. Chu himself served as the general manager of the factory, president of the company, and director of the STMA in the mid-1980s. With strong support from the prefecture and provincial top leaders and his monopolized power, Chu made two important moves in the following years. First, as part of the enterprise reform in the early 1980s, the funding of enterprises began to change from "allocate funds" (*bokuan*) to "loans" (*daikuan*). Chu seized this opportunity and obtained almost all of the province's foreign exchange (US\$23 million) with which he bought tobacco equipment from the United Kingdom. By 1985, the Yuxi Cigarette Factory accomplished its technological transformation to a modern tobacco plant.

In 1988, Yunnan had a major earthquake. In the wake of this natural disaster, Chu urged the provincial government to ask for a policy of "enlargement of production to reduce the loss

from the earthquake.” At that time, the central government had some financial constraints, and thus it adopted such a policy.³⁶³ Consequently, the province was granted a two-time increase of quotas of tobacco production and US\$30 million in loans. The Yuxi Cigarette Factory was the greatest beneficiary of this policy, and it built the best tobacco assembly line in the country. By the 1990s, the Yuxi Cigarette Factory had the most state-of-the-art tobacco equipment and technology in the world. In 1994, the Yuxi Company had profits of 6.1 billion yuan, much higher than the second largest firm in the country, the Shanghai Tobacco Company, which had profits of 940 million yuan.³⁶⁴

The second important initiative by Chu Shijian was that beginning from 1994 the Hongta Group established some 12,000 specialized Hongta tobacco stores throughout the country. Consequently, its annual production reached 900,000 boxes in 1996, contributing 4.1 billion yuan in profit.³⁶⁵ Later, the Hongta Group also established stores exclusively selling Hongta brand cigarettes in the airports of six major cities (Kunming, Chengdu, Shenzhen, Shanghai, Zhengzhou and Xi’an). To promote Hongta brand cigarettes, the Hongta Group established two Hongta smoking rooms at Shenzhen’s airport.³⁶⁶ Chu Shijian also launched an aggressive public relations campaign. For example, in 1988, the Yuxi Cigarette Factory was a main sponsor of the Spring Festival TV Gala, which an overwhelming majority of the population watched.³⁶⁷

During his 18-year tenure as the top leader of the Yuxi Cigarette Factory, tobacco production increased from 275,000 boxes to 2,183,000 boxes and had total revenues and profits of 99.1 billion yuan, with an average annual increase of 44 percent.³⁶⁸ From 1988 to 1996, the Hongta Group’s revenue and profit contribution was always ranked top ten in the country. In 1996, the Yuxi Cigarette Factory’s revenues and profits constituted 56 percent of the total revenue and profits of Yunnan Province.³⁶⁹ Not surprisingly, Chu received many titles and awards from both the national and provincial governments,

including “the Model Worker in Yunnan Province,” the Model Worker of the Nation,” “the May 1st Labor Medalist,” the title of “National Outstanding Entrepreneur,” and one of the “Top Ten Reformers of the Year.” Also quite impressively, a number of top leaders, including Hu Jintao, Zhu Rongji, and Wu Bangguo, visited the Yuxi Cigarette Factory when Chu was in charge of the factory (see Table 3-3). Other Politburo Members Tian Jiyun, Wu Bangguo, Jiang Chunyun, and Wu Yi also visited the Hongta Group, so did top provincial leaders such as Pu Chaozhu, He Zhiqiang, Linghu An, and Li Jiating.³⁷⁰ These visits were often seen as strong endorsement from the CCP leadership.

Ironically, this role model of Chinese state entrepreneurs fell disgracefully in a very sudden and dramatic way. In the spring of 1996, Chu was under investigation for corruption charges. In December, Chu was detained by police at a border check point in Yunnan while allegedly attempting to cross the border. A widely-spread rumor was that Chu brought with him a small suitcase in which he had many “little notes” (*xiaotiaozi*) from various levels of leaders in the country, asking for a large amount of free expensive cigarettes. This suitcase was never mentioned in the court in which Chu was tried. The trial lasted for two years. In early 1999, Chu was sentenced to life imprisonment for receiving a bribe of US\$1.74 million. His daughter, Chu Yinghong, was also accused for receiving a bribe of 36.3 million yuan plus HK\$1 million and US\$300,000. Chu Yinghong never appeared in court because she committed suicide when her father was under investigation. Three other senior leaders of the Yuxi Cigarette Factory were also sentenced for years in jail for economic crimes.³⁷¹ But no provincial or national level leaders were caught in this case. Zi Guorui, the official who later purchased the aforementioned Jiahua Plaza building in order to help Li Jiating and his mistress, was appointed the new general manager of the Hongta Group in 1996 (for the list of the general managers of the Hongta Group from 1979 to 2012, see Table 5-6).

A few years later, Chu Shijian's jail term was reduced from life imprisonment to 17 years. In the spring of 2002, he was released on medical parole. This legendary figure in China's tobacco industry now lives in Ailao Mountain in central Yunnan, running a large orange orchard with about 200 workers. Since 2007, a new type of orange—"Chu Shijian planted orange"—were found almost every fruit stand in Kunming and Yuxi.

TABLE 5-6: AN OVERVIEW OF GENERAL MANAGERS OF THE HONGTA GROUP (1979-2012)

Name	Leadership Tenure	Birth Year	Birth Place	Post prior to this Position
Chu Shijian	1979-1996	1928	Yunnan (Huaning)	Head, Personnel Office of Yuxi County
Zi Guoyu	1996-2002	1946	Yunnan (Fengqing)	Party Secretary of the Hongta Group
Yao Qingyan	2002-2005	1957	Shandong	President, Yunnan Tobacco Research Institute
Liu Wandong	2005-2006	1950	Yunnan (Yimen)	Party Secretary of the Hongta Group
Li Suiming	2006-present	1957	Shanxi	Deputy General Manager of Hongta Group

Note and source: Hongta yancao jituan youxian gongsi (The Hongta Tobacco Group Limited), *Hongta jituanzhi 1956-2005* (Annals of the Hongta Group, 1956-2005), Kunming: Yunnan renmin chubanshe, 2006, pp. 541-554. Tabulated by Cheng Li.

The post-Chu Shijian Yuxi Cigarette Factory experienced a drastic decline during the period of 1996-2004.³⁷² The direct sale of Hongtashan brand cigarettes in other regions—the initiative developed by Chu Shijian—was banned by the STMA. In 2000, Hongtashan had total sales of 560,000 boxes (yielding 1.3 billion yuan in profits), which was a 40 percent decrease in sales and a 70 percent decrease in profits as compared with that of 1996.³⁷³

The Resurgence of the Hongta Group and the New Development Strategy

Neither the provincial government nor the factory management was willing to see the continuing decline of the Hongta Group. As some analysts rightly observed, as “one of the pillar brands, Hongtashan has also exhibited its strength as a classic brand.”³⁷⁴ Beginning in the late 1990s but becoming more of a priority in the recent decade, the Hongta Group has made moves towards integration and restructuring in the industry.

Table 5-7 provides the list of Hongta Group subsidiary companies. In the late 1990s, mergers and acquisitions occurred largely in the same province. In 1998, however, the Hongta Group merged with the Changchun Tobacco Factory and realized the first capital takeover of a multi-provincial enterprise in the Chinese tobacco industry. The Hongta group purchased the Liaoning Tobacco Company in Shenyang in 2003 and the Hainan Tobacco Company in Sanya in 2004. The Hongta Group has expanded its market penetration in these regions.

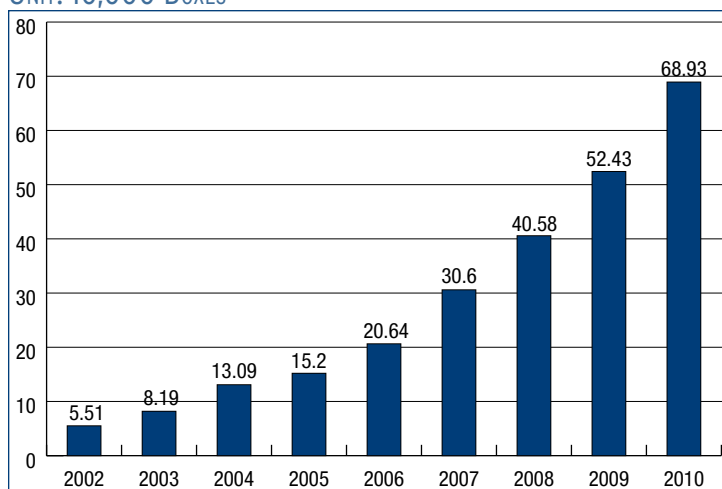
TABLE 5-7: HONGTA GROUP SUBSIDIARY COMPANIES (2012)

Subsidiary Company	Location	Year Joined
Yuxi Cigarette Factory	Yuxi, Yunnan	1995
Dali Cigarette Factory	Dali, Yunnan	1995
Yunnan Hongta Group Co., Ltd.	Kunming, Yunnan	1995
Yunnan Hongta Import & Export Co., Ltd.	Kunming, Yunnan	1995
Hongta Tobacco Co., Ltd.	Yuxin, Yunnan	1995
Hongta Material Co., Ltd.	Kunming, Yunnan	1996
HK Yucheng Trade Development Co., Ltd.	Hong Kong	1997
Shanghai St. Regis Hotel	Pudong, Shanghai	1998
Chuxiong Cigarette Factory	Chuxiong, Yunnan	1998
Changchun Cigarette Factory	Changchun, Jilin	1998

Subsidiary Company	Location	Year Joined
International Tobacco Co., Ltd. HK Hongta	Hong Kong	1999
HTS Hongta Switzerland Ltd.	Vevey, Switzerland	2000
Liaoning Tobacco Co., Ltd.	Shenyang, Liaoning	2003
Hainan Hongta Cigarette Co., Ltd.	Sanya, Hainan	2004
Zhaotong Cigarette Factory	Zhaotong, Yunnan	2008

Note and sources: Hongta yancao jituan youxian gongsi (The Hongta Tobacco Group Limited), *Hongta jituanzhi 1956-2005* (Annals of the Hongta Group, 1956-2005), Kunming: Yunnan renmin chubanshe, 2006, pp. 50-51.

CHART 5-2: INCREASE OF YUXI BRAND CIGARETTE SALES (2002-2010)
UNIT: 10,000 BOXES



Source: *Hongta Shibao* (Hongta Times), Issue No. 826, February 15, 2011, p. 11.

These mergers and acquisitions have also boosted the group's tobacco production. Chart 5-2 shows the rapid growth of Yuxi brand cigarette sales from 2002 to 2010. In the first half of 2010, sales of Hongtashan, for example, reached 1.4 million boxes, significantly higher than their peak in the Chu Shujian era.³⁷⁵ This brought the Hongtashan brand back to its position as the No.1 cigarette brand in China again.

Perhaps most significantly, the Hongta Group has developed a new strategy of “big market, big business, big brands” to diversify its business. As early as 1998, the Hongta Group diversified its business and was involved in 50 projects in 16 sectors including construction materials, tourism, finance and trade.³⁷⁶ In 2000, the Hongta Group was involved in 60 business projects in 17 industrial sectors.³⁷⁷ Since 2010, the Hongta Group has been heavily engaged in energy, transportation, finance, insurance, securities, pharmaceuticals, light chemical industry, real estate and hospitality. The Hongta Group has the sole proprietorship and holding shares of 71 enterprises with accumulated foreign investment of 15 billion yuan.³⁷⁸ According to a spokesperson of the Hongta Group, the group’s non-tobacco business assets have already reached 40 billion yuan, roughly the half of the total assets of the group.³⁷⁹ According to the spokesperson, it is the STMA rather than the Hongta Group that is more interested in the tobacco business because the latter is already well diversified for other non-tobacco businesses.³⁸⁰

FUTURE PROSPECTS

The need for business diversification should also be the concern of the provincial leadership of Yunnan. In his interview with the Chinese media at the National People’s Congress meeting in 2009, then Governor (now Provincial Party Secretary) Qin Guangrong stated that the percentage share of the whole of tobacco-generated revenue in Yunnan was as high as 75 percent in the 1990s, but has declined in the recent decade to about 45 percent in 2009.³⁸¹ Qin admitted that this is an inevitable trend. He outlined the provincial government’s plan regarding the diversification of the economy and tobacco control:

In addition to tobacco development, we have been mining the resource advantages of Yunnan. There are plans to develop various resources such as silver, copper, tin, sugar, and tea that Yunnan has advantages in,

coupled with the revitalization of the tourism industry and the power industry. Yunnan's future economic development will tend to be rational and diverse. Regarding the tobacco industry and its negative consequences including pollution problems, my response is that we are moving in the direction of "No Smoking" efforts.³⁸²

Yunnan's top leader Qin Guangrong's promise to control tobacco development and diversify its economy in the province could be sincere. But the need for economic development, local revenue, and employment security will likely continue to constrain local leaders' incentives to effectively control the tobacco business.

Rampant official corruption related to the tobacco industry at all levels of the leadership discussed above calls for more effective governance and better institutional supervision. It should be noted that Chu Shijian's corruption case was not coincidental. Several other general managers in Yunnan's tobacco factories and companies have been corrupt. For example, former general manager of the Yunnan Cigarette Factory (the Hongyun-Honghe Group) Chen Chuanbo escaped abroad with 100 million yuan. Like Chu Shijian, Chen also cultivated a big political network in the province.

One factor that is more favorable for local governments to protect or advance local interests is the political norm in which local governments rather than the central authorities (neither the CCP Central Department of Organization nor the STMA) control appointments of top leaders of the tobacco factories/companies in their region.³⁸³ Political nepotism has become a serious challenge to the governance of the tobacco industry.

It is interesting to note that several current top provincial leaders in Yunnan are *tuanpai* officials or their protégés. They include the newly-appointed provincial Party Secretary Qin Guangrong, Deputy Party Secretary Qiu He (who is a protégé

of Hu Jintao), and Li Jiang, a rising star of the province who served as secretary of the Yunnan Provincial Committee of the Chinese Communist Youth League, mayor and party secretary of Yuxi Prefecture, and director of the Organization Department of the Yunnan Provincial Party Committee. She is now vice governor of Yunnan. It has been widely circulated in the province that Li Jiang's brother and sister are engaged in the tobacco business. The anti-tobacco effort in Yunnan apparently faces an uphill battle as some powerful vested interest groups in the tobacco business have close ties with the new provincial leadership. This observation reinforces how challenging it will remain to sort through the interest groups and their powerful patrons and it explains why tobacco control is so resistant by interlocking forces.

The establishment of regulations and laws to prevent political nepotism and to promote more transparency and anti-corruption measures is urgently needed. This is perhaps true of virtually every sector of the Chinese economy, but what makes tobacco development and control distinctive is the fact that it relates to the issue of public health security. As a matter of great urgency, public health in China is related to the healthy development of the Chinese political system and the growing role of Chinese civil society.



CONCLUSION: STRATEGIC RECOMMENDATIONS FOR THE ANTI-SMOKING CAMPAIGN IN CHINA

China's anti-smoking campaign, in a sense, is a process of wave formation—each successive wave owes something to the strength and momentum of what went before. From a broad perspective, these waves are often holistically intertwined. Over the past decade or so, the tobacco control movement has made a significant degree of progress in the country. This is evident in several important developments such as the Chinese government's ratification of the FCTC, the growing public awareness of tobacco's health hazards (including secondhand smoke), the hesitance of political leaders to smoke in the Chinese public eyes, the significant increase in national and local legislation banning smoking in public places, and restrictions on tobacco company-sponsored programs and events. Perhaps most importantly, a vibrant, articulate and capable group of anti-smoking advocates from all walks of life in the country have emerged. By way of a largely bottom-up public health movement, they constitute a formidable force in the country's political and policy discourse.

Without a doubt, China's anti-smoking campaign still faces an uphill battle. There is no sign that the penetration rate of smokers in the Chinese population will significantly drop in the near future. Instead, both cigarette production and the death toll resulting from smoking-related diseases continue to grow at an alarming speed in the world's most populous country. The notion of the "tobacco economy" and the substantial revenue generated by the tobacco industry continues to prevent both the national government and local governments

from taking serious measures to control tobacco use. The powerful vested interest groups, especially tobacco companies and factories, have created many political barriers and misperceptions that are not conducive to the tobacco control agenda. With a lack of concern for conflicts of interest, China's policy-making structure further creates institutional or bureaucratic barriers to the effective implementation of anti-smoking initiatives. On top of these challenges, rampant official corruption at all levels of leadership and the complex intertwined webs of political power, commercial incentives, institutional and regional interests, and social relationships make tobacco governance exceptionally challenging.

Under these circumstances, China's anti-smoking campaign should more aggressively and effectively coordinate the next wave of its efforts to overcome these substantial barriers. The dynamic tensions between various forces and stakeholders on both sides of tobacco-related development in the country illustrate the need for the anti-smoking campaign to develop a new strategic map, especially in light of some unprecedented opportunities and situational factors in this rapidly changing country. This report aims to offer a political map of the key players, institutions, and forces related to China's tobacco industry and their impact on the country's public health. Table 6-1 summarizes some of the most important tobacco-related issues and responsible institutions at the national level, indicating where the anti-smoking campaign should focus its energies.

I recommend that the anti-smoking campaign focus on the following three domains in the next few years. These approaches and interventions are seemingly modest, but are realistic and potentially far-reaching, and may serve as a tipping point to change political and social norms regarding tobacco control.

Political Leadership

Both the changing nature of Chinese elite politics and growing factional competition in the collective leadership provide an unprecedented opportunity for more successful tobacco con-

TABLE 6-1: TOBACCO-RELATED ISSUES AND RESPONSIBLE INSTITUTIONS
AT THE NATIONAL LEVEL

Tobacco-Related Issues	Responsible Institutions
Political Commitment	<ul style="list-style-type: none"> • Top Leadership (CCP Politburo, especially its Standing Committee)
Anti-Smoking Legislation and Law Enforcement of Tobacco-Control	<ul style="list-style-type: none"> • National People's Congress • State Council Legal Affairs Office • Ministry of Justice • Supreme People's Court
Tobacco Control Implementation and Enforcement	<ul style="list-style-type: none"> • The State Council • Eight FCTC Implementation Coordinating Government Agencies
Public Health	<ul style="list-style-type: none"> • The State Council • Ministry of Health • Centers for Disease Control and Prevention • National People's Congress Committee on Education, Science, Culture, Health, and Sports • Chinese People's Political Consultative Conference
Tobacco Control	<ul style="list-style-type: none"> • Eight members of the governmental coordination mechanism
Anti-Smoking Education	<ul style="list-style-type: none"> • CCP Publicity Department • Ministry of Health • Ministry of Education
The Ban on Tobacco Advertisement	<ul style="list-style-type: none"> • State Administration for Industry and Commerce • State Administration of Radio, Film, and Television • State Tobacco Monopoly Administration
Target Groups (adolescents, women, industrial workers, soldiers)	<ul style="list-style-type: none"> • The Chinese Communist Youth League • All China Women's Federation • All-China Federation of Trade Unions • The General Logistics Department of the People's Liberation Army
Anti-Corruption	<ul style="list-style-type: none"> • Central Commission of Discipline Inspection • Ministry of Supervision • Bureau of Corruption Prevention

Source: Cheng Li, the China Medical Board research, March 2012.

trol efforts. Never has the PRC witnessed such extraordinary openness and pluralism in its political and policy discourse on the eve of a political succession. The Chinese public seems increasingly aware of the ongoing political tensions and policy differences within the leadership. The campaign should lobby each and every one of the members of the Politburo and especially its Standing Committee to make a strong commitment to the improvement of public health and to acknowledge the fact that the tobacco epidemic may undermine China's economic development, sociopolitical stability, and international image.

The campaign should also more articulately praise top political leaders for any positive input and/or impact on tobacco control. For example, soon-to-be first lady Peng Liyuan's active involvement in public health initiatives, including her role as "China's Anti-Smoking Ambassador," should be seen as a potentially crucial endorsement in the fight against the tobacco epidemic on the part of future president Xi Jinping. At the same time, the campaign should find a non-confrontational and subtle way to urge high-ranking leaders to keep their distance from the tobacco industry. It should become, if it is not already, a political liability for soon-to-be Premier Li Keqiang to have his brother working as a top official in the STMA.

This does not mean that the campaign should aim to instigate factional infighting within the top leadership; instead, China's new elite politics—the Chinese-style checks and balances—should be treated as an experiment that promotes healthy political competition among policy makers and thus makes the CCP leadership more accountable to the public. For the anti-smoking campaign, it is both desirable and feasible to mobilize top Chinese political leaders to make an anti-smoking initiative his or her hot button issue, thus serving as advocates for the integration of tobacco control into chronic disease prevention and overall public health improvement in the PRC.

Law and Institutions

The law enforcement of tobacco control has been weak and ineffective. This is evident not only in the fact that although China ratified the FCTC, most rules and regulations are not implemented; but also in that a number of the PRC's own laws are constantly violated. For example, the Chinese law prohibits the sale of cigarettes to adolescents, but this law is hardly enforced at all. The tobacco control community should place a priority on Article 5.3 of the FCTC, which declares that, "In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."

More specifically, the anti-tobacco campaign should consider promoting high-profile legal cases on two major fronts. One would be to help tobacco victims and legal professionals sue tobacco companies and factories in civil cases for the significant compensation that victims and their families deserve. There have been no major lawsuits against the tobacco industry largely because the Chinese courts have refused to accept them, and partly because possible plaintiffs are afraid of appearing to be suing the state, as CNTC is also the STMA, a government agency. A group of lawyers at Capital University of Business and Economics made headlines by getting petty lawsuits accepted by district courts in Beijing, but the lawsuits ended up going nowhere. As a result of the rapid development of the legal profession in the country, Chinese people have become more inclined to pursue legal action and an increasing number of lawyers are keen to launch suits, including cases that sue the state.

The other would be to urge the country's legislature, law enforcement institutions, and courts such as the National People's Congress, the Ministry of Justice, the Supreme People's Court, and party and state discipline agencies including the Central Commission of Discipline Inspection, the Ministry of Supervision and the Bureau of Corruption Prevention, to adopt more serious measures to deal with official corruption

in the tobacco business. These cases could be very consequential in shaping public perception and changing the behavior of tobacco promoters.

The anti-tobacco campaign should also urge the NPC and the State Council (in addition to lobbying the members of the Politburo) to consider establishing two new institutions to better coordinate tobacco control and the improvement of public health. The first institution to establish would be the State Tobacco Control Bureau, which would be separate from (and above) both the MIIT and the STMA. This new national coordination committee or bureau-level agency would be directly under the leadership of the State Council (similar to creating a leading group on tobacco control at the State Council level akin to the leading group on HIV/AIDS prevention). One of the functions of the proposed State Tobacco Control Bureau would be to help those provinces that rely heavily on tobacco production to seek alternative and more diversified economic development. This is the reason why the new bureau should be directly under the leadership of the State Council instead of the Ministry of Health.

The second proposed institution would be what one could call the “National Committee on Public Health,” to be established within the NPC, separate from the existing Education, Science, Culture and Health Committee. This new and more focused committee would reflect the growing importance of health-related issues and the imperative to better respond to possible health crises and improve the health security of Chinese citizens. It should be noted that some public intellectuals and professional health workers in China, most noticeably Yang Gonghuan, have proposed similar ideas.

In addition, the tobacco control campaign should continue to call for other important proposals such as the aforementioned institutional separation of the STMA and CNTC and putting MOH (instead of MIIT) in charge of the eight-agency FCTC implementation coordination mechanism. The above propos-

als should go all the way to the top leadership in the CCP and the government.

Coalition Building and Public Education

China's anti-tobacco campaign has wisely and effectively cultivated some of the country's most active public intellectuals and opinion leaders, including distinguished economists and journalists. It has been less effective, however, in working with certain important groups and their corresponding organizations such as the Chinese Communist Youth League, the All China Women's Federation, the All-China Federation of Trade Unions, and the General Logistics Department of the People's Liberation Army. In contrast, tobacco companies/factories often consider adolescents, women, industrial workers, and PLA soldiers as their target groups. Building a strong coalition with these important constituencies will likely make a big difference in the battle against the tobacco epidemic.

China's enduring tobacco culture can only be challenged through painstaking public education. The campaign should more closely work with the CCP Publicity Department, the Ministry of Education, the State Administration of Radio, Film, and Television, and, of course, many other governmental and non-governmental organizations to educate the public about the health hazards of smoking. A top priority of the campaign should be to effectively target doctors and other medical professionals as well as medical schools (which train the next cohort of physicians). It may take some time for the public education campaign to yield positive results. Yet, the anti-smoking campaign should have every reason to believe that it will ultimately win its battle against the tobacco industry because the effort to ban smoking is on the right side of history.

Gone are the days when the Chinese people were seen as the "sick men of Asia." Yet there is still much work to do—a true rising China must shed the moniker of the "smoking dragon." In the coming years, health security will and should increas-

ingly become one of the most essential criteria in assessing China's development. One can hope, during this period of rapid socio-economic, political and demographic changes in China, when the stakes of public health are so high for both Chinese leaders and citizens, that anti-smoking initiatives will begin to acquire greater resonance.



CHRONOLOGY OF CHINA'S TOBACCO INDUSTRY AND SMOKING CONTROL 1980-2012

1980: The Chinese government enacts legislation banning smoking in public places and teenage smoking. Compliance with the legislation is limited.

January 1, 1982: The Chinese government institutes vertical and centralized management of cigarette production, establishing the China National Tobacco Company (CNTC) to administer all aspects of the process – from the production, procurement, and pricing of the tobacco leaf, to the processing and marketing of cigarettes.

1983: China bans smoking on domestic flights.

September 23, 1983: The State Council promulgates the Tobacco Monopoly Regulations.

November 1, 1983: The Chinese government decides to establish the State Tobacco Monopoly Administration (STMA), which links the central and provincial governments and is responsible for the management of all tobacco leaf and cigarette production in the country.

January 1984: The State Tobacco Monopoly Administration is formally established.

1987: The Chinese government issues “The Notice to Promote Non-smoking Effort in Children’s Places of Activities.”

March 1, 1987: The Beijing Railway Station becomes the first railway station in the country to ban smoking in its waiting room.

February 1990: The Chinese Association on Tobacco Control (CATC), originally named the Chinese Association on Smoking or Health, is established. It is composed of persons from various professions and services who are willing to work on tobacco control activities.

June 29, 1991: The Standing Committee of the National People's Congress promulgates the *Tobacco Monopoly Law*.

1991: The Standing Committee of the 7th National People's Congress issues the Law of the People's Republic of China on the *Protection of Minors*, which prohibits smoking in dormitories, classrooms and activity rooms in kindergartens, elementary schools and middle schools.

March 1993: The first meeting of the Eighth National People's Congress decides that the STMA will be managed by the State Economic and Trade Commission, as opposed to the Ministry of Light Industry.

1993: Suzhou becomes the first city in the country to ban smoking in public places.

1994: The Chinese government adopts a revenue-sharing system (*fenshuizhi*) between the central and local governments, excising a high tax rate (though low by international standards) on cigarette production.

August 27, 1994: The STMA hosts a national conference on cigarette sales through a national sales network in Chongqing, marking the establishment of the cigarette sales national network in China.

December 1995: Beijing People's Congress passes smoke-free regulations that ban smoking in schools, some areas of hospitals, and in meeting rooms, cinemas, shops, and public transportation.

December 20, 1995: The State Administration for Industry and Commerce issues *The Interim Measures on the Regulation of Tobacco Advertising*.

May 1997: The Ministry of Public Health, the Ministry of Railways, the Ministry of Transportation and several other government agencies jointly issue *The Regulations on the Banning of Smoking on Public Transportation Vehicles and in Waiting Areas*.

July 3, 1997: The State Council promulgates *The Rules for Implementation of the Tobacco Monopoly Law of the People's Republic of China*, which expands the national tobacco monopoly system.

August 24-28, 1997: Beijing hosts the 10th World Conference on Tobacco or Health with an attendance of more than 1,800 delegates from 114 countries or regions. President Jiang Zemin attends the opening ceremony.

October 16-21, 2000: An official delegation from China participates in the first of six rounds of international negotiations leading to the completion of the World Health Organization's Framework Convention on Tobacco Control (FCTC), the world's first international public health treaty. The State Tobacco Monopoly Administration is an active participant on China's negotiating team.

2003: China completely bans smoking on both domestic and international flights.

March 10, 2003: The State Tobacco Monopoly Administration issues "The Five Disciplines to Further Reorganization of

Cigarette Production and Operation,” which reinforces central control over the production, management, and sale of cigarettes.

March, 2003: The first meeting of the Tenth National People’s Congress decides that the STMA will move from being under the management of the State Economic and Trade Commission to being under the management of the NDRC.

November 10, 2003: China signs the World Health Organization Framework Convention on Tobacco Control (FCTC), the international tobacco control treaty.

2004: The China Centers for Disease Control conduct a six-city survey of 3,652 physicians’ knowledge, attitudes, and practices with respect to smoking. Smoking prevalence among male physicians is 41 percent and among female physicians, 1 percent.

2004: Premier Wen Jiabao pledges that China’s Green Olympics would also be a tobacco-free Olympics.

2005: STMA issues the “National Work Plan to Promote Overall Cigarette Sales Network,” accelerating online rationing and modern logistics in cigarette sales nationwide.

August 28, 2005: China ratifies the World Health Organization Framework Convention on Tobacco Control (FCTC), becoming the 89th country to ratify the convention.

2006: China’s Ministry of Health publishes a report entitled “Smoking and Health: 2006 Report” that indicates that 350 million people, or 35.8 percent of China’s population above 15 years old, are smokers (66 percent of men and 3.1 percent of women).

January 9, 2006: The World Health Organization Framework Convention on Tobacco Control (FCTC) goes into effect in China.

July 2006: The State Tobacco Monopoly Administration and the General Administration of Customs sign a joint-cooperation memorandum on combating tobacco smuggling and other tobacco-related illegal activities.

January 2007: Hong Kong bans smoking in public places.

April 2007: China's express trains ban smoking.

May 29, 2007: China's Ministry of Health releases *The Report on China's Smoking Control 2007*, a landmark anti-smoking report based on a study of seven cities (Beijing, Shanghai, Guangzhou, Changsha, Zhengzhou, Yinchuan, and Shenyang). The report embraces the international scientific consensus that there is no safe level of exposure to tobacco smoke and supports the passage of legislation banning smoking from public places. The report also acknowledges that second-hand smoke causes 100,000 deaths every year in China.

July 2007: China votes to adopt guidelines on implementation of the FCTC's requirement for smoke-free environments at the second meeting of the Conference of the Parties to the Framework Convention on Tobacco Control in Bangkok, Thailand.

March 2008: The first meeting of the Eleventh National People's Congress decides that the STMA would be changed from being under the management of the NDRC to being under the management of MIIT.

May 1, 2008: A Beijing Municipal Government directive expanding the scope of the city's 1995 smoke-free regulations goes into effect in the city ahead of the 2008 Beijing Olympics. The directive completely prohibit smoking in such public places and workplaces as primary and secondary schools and vocational middle schools; all indoor areas of medical facilities; offices and meeting rooms in government buildings, associations, enterprises and public institutions; in cultural institutions such as cinemas, concert halls, art galleries, indoor

stadiums and gymnasiums; and on indoor platforms and in stations for public transportation. The new directive also for the first time restricts smoking in restaurants and bars and hotels. All six Chinese Olympic host cities also undertake tobacco control initiatives with an emphasis on creating smoke-free environments that would continue after the Olympic Games concluded.

May 22, 2009: The Ministry of Health joins with the State Administration of Traditional Chinese Medicine, the General Logistics Department of the People's Liberation Army, and the People's Armed Police in issuing a decision to move toward a complete ban on smoking in all medical facilities nationwide by 2011.

2009: China introduces basic text warnings covering 30 percent of cigarette packs.

2010: With the lobbying effort of the Chinese Association on Tobacco Control, the Ministry of Civil Affairs cancels the Chinese Charity Award to six tobacco companies; the Shanghai World Expo 2010 committee returns 200 million RMB in donations from tobacco companies and the 11th National Games committee returns 20 million RMB.

2010: Hangzhou, Shanghai and Guangzhou all pass legislation banning smoking in a number of public places.

May 12, 2010: The Ministry of Health bans smoking in its own building.

March, 2011: The 12th Five-Year Plan, passed by the National People's Congress (NPC), for the first time adopts language committing China to "full implementation of the smoking ban in public places."

May 1, 2011: The Ministry of Health issues a ban on smoking in 28 types of public venues, including hotels, restaurants,

theaters, shopping centers, and bars. The new guidelines require owners of public places to post no smoking signs. The policy also prohibits the placement of outdoor smoking areas in walkways frequented by pedestrians and the placement of cigarette vending machines in public places. MOH, however, doesn't have the authority to enforce these various bans.

May 26, 2012: At a State Council meeting on anti-corruption measures, Premier Wen Jiabao pledges to ban the use of public funds to buy “high-end” cigarettes and alcohol, warning that corruption may endanger the ruling Communist Party's survival.

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- ¹⁷² The number of seats on the PSC could very well change, as the CCP Constitution does not specify a fixed number. The PSC formed at the 13th Party Congress in 1987 had only five members, and the PSCs formed at both the 14th Party Congress in 1992 and 15th in 1997 had seven. At the most recent two Party Congresses, both PSCs had nine members.
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The background of the entire page is an abstract, ethereal image of blue smoke or mist. The smoke rises from the bottom, swirling and curling in various directions, creating a sense of movement and depth. The colors range from deep navy blue to lighter, almost white, highlights where the smoke is more concentrated or catches the light. The overall effect is dreamlike and sophisticated.

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