CHAPTER 15

TOBACCO TRADE

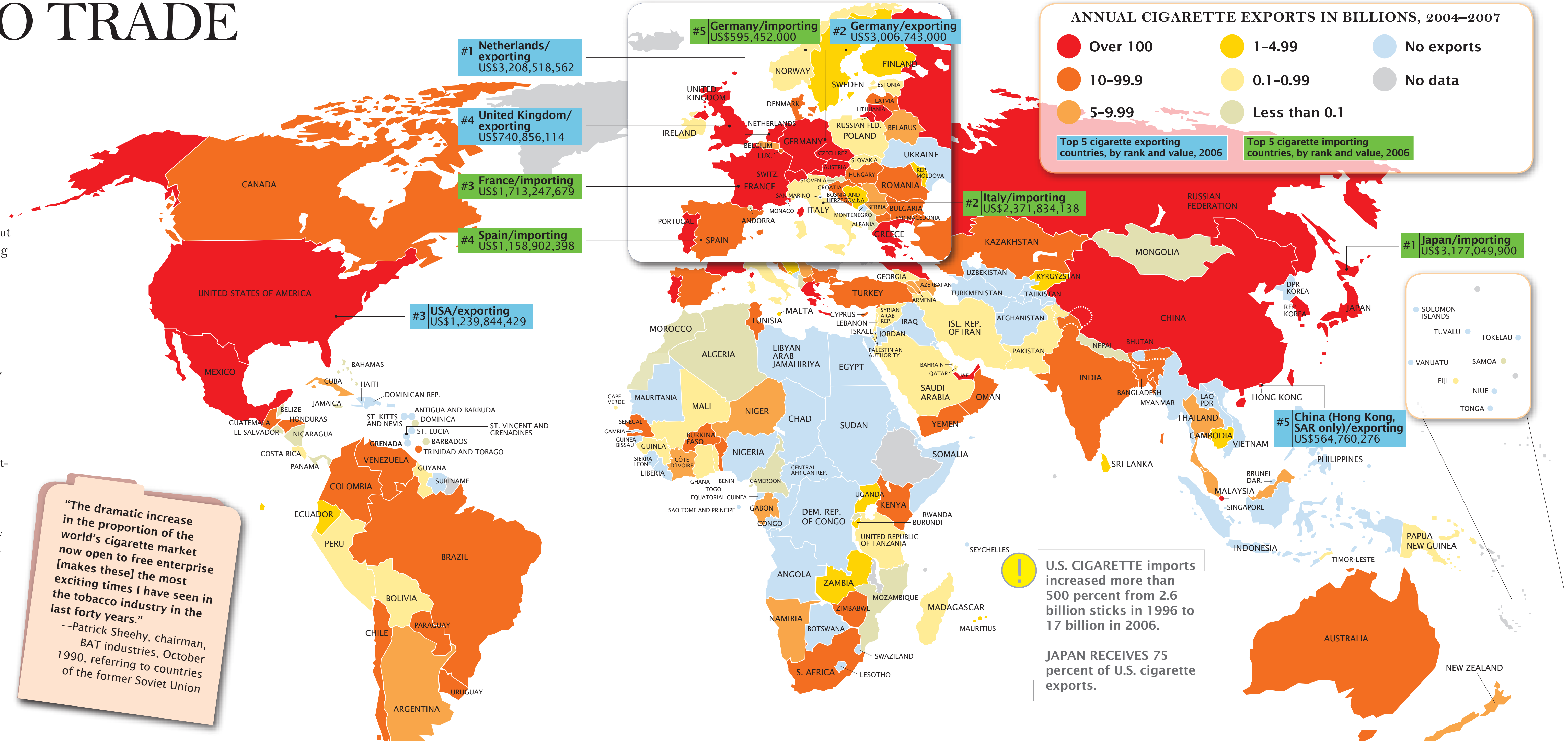
International commodity trade in tobacco is big business, with an estimated annual value of $22 billion: $7 billion in raw material (tobacco leaves) and $15 billion in finished product (manufactured cigarettes).

China grows more than 40 percent of the world's tobacco, but only 5 percent of China's leaf is exported. Most of the remaining 95 percent is consumed domestically by China's 350 million smokers. Brazil, India, and China grow most of the world's tobacco leaf, overtaking former major producers such as the United States, where tobacco agriculture has been in steady decline for decades.

U.S. cigarette export volume has declined by more than 50 percent since 1996, valued at US$1.2 billion in 2006 (largely in sales to Japan). The Netherlands and Germany each export more than $3 billion in cigarettes annually. Many low- and middle-income countries, such as China, Malaysia, Poland, and Indonesia, are increasing capacity for cigarette production and export, competing aggressively with the major cigarette exporting nations.

To maximize profits, transnational tobacco companies seek markets with lower costs for tobacco agriculture and cigarette manufacturing, extending the tentacles of their deadly industry ever deeper into the world's nascent economies. Thwarting the tobacco industry's exploitation of emerging markets is a global health imperative.

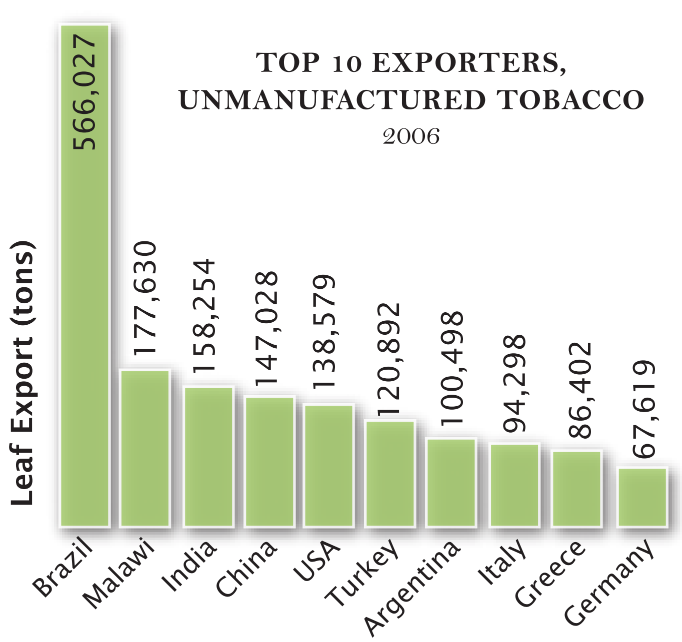
"The dramatic increase in the proportion of the world's cigarette market now open to free enterprise [makes these] the most exciting times I have seen in the tobacco industry in the last forty years."
—Patrick Sheehy, chairman, BAT industries, October 1990, referring to countries of the former Soviet Union



U.S. CIGARETTE imports increased more than 500 percent from 2.6 billion sticks in 1996 to 17 billion in 2006.

JAPAN RECEIVES 75 percent of U.S. cigarette exports.

TOP 10 EXPORTERS, UNMANUFACTURED TOBACCO
2006



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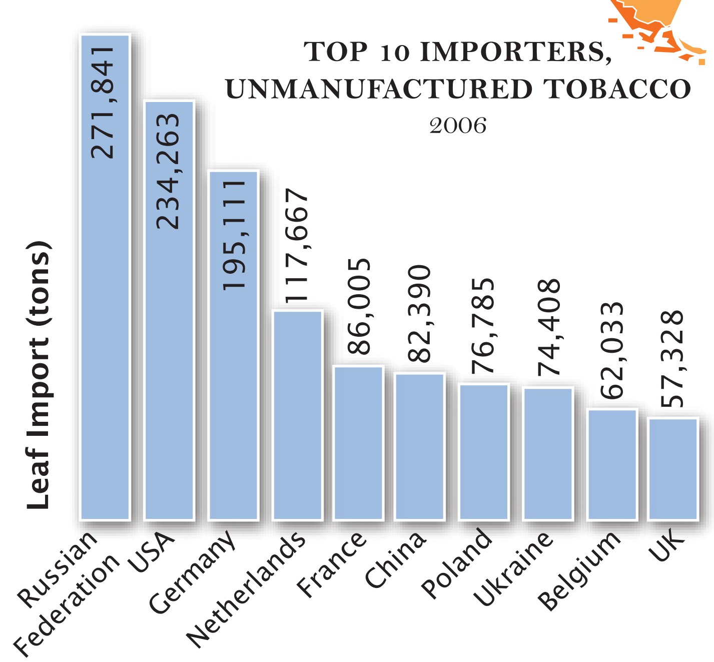
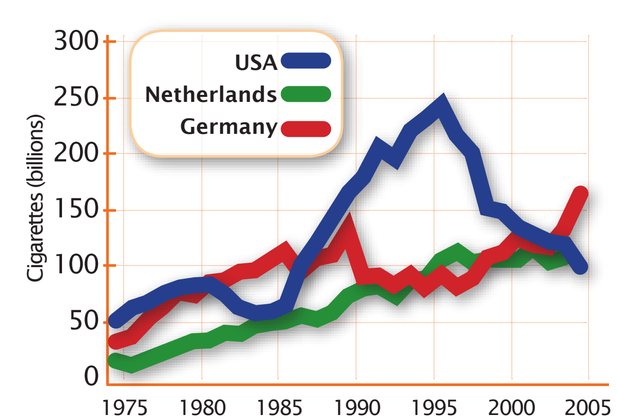


CIGARETTE EXPORT TRADE VOLUME, SELECT MAJOR EXPORTING NATIONS
1975–2005



TOBACCO LEAF EXPORT VOLUME, SELECT MAJOR EXPORTING NATIONS
1985–2005