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THE CAPITAL-NCD-NEXUS: **THE COMMERCIAL DETERMINANTS OF HEALTH** AND GLOBAL CAPITAL FLOWS

By: Christian Franz and Ilona Kickbusch

Summary: In the past, the role of global capital flows for health has not been considered in the debate about key risk factors of Noncommunicable Diseases (NCDs). This is a blind spot in public health. A significant share of the global food and beverage industry is owned by institutional investors. Cross-border mergers and acquisition volumes in the food, beverage, and tobacco industries have substantially increased. Progress on preventing and controlling NCDs requires the public health community to engage in a forward-looking discussion to address investors' responsibility in relation to global health in general and the tsunami of NCDs in particular.

Keywords: *NCDs, Public Health, Global Capital Flows, Commercial Determinants of Health, Obesity, Institutional Investors*

> #EHFG2018 – Closing Plenary: Commercial determinants of health & global financial markets

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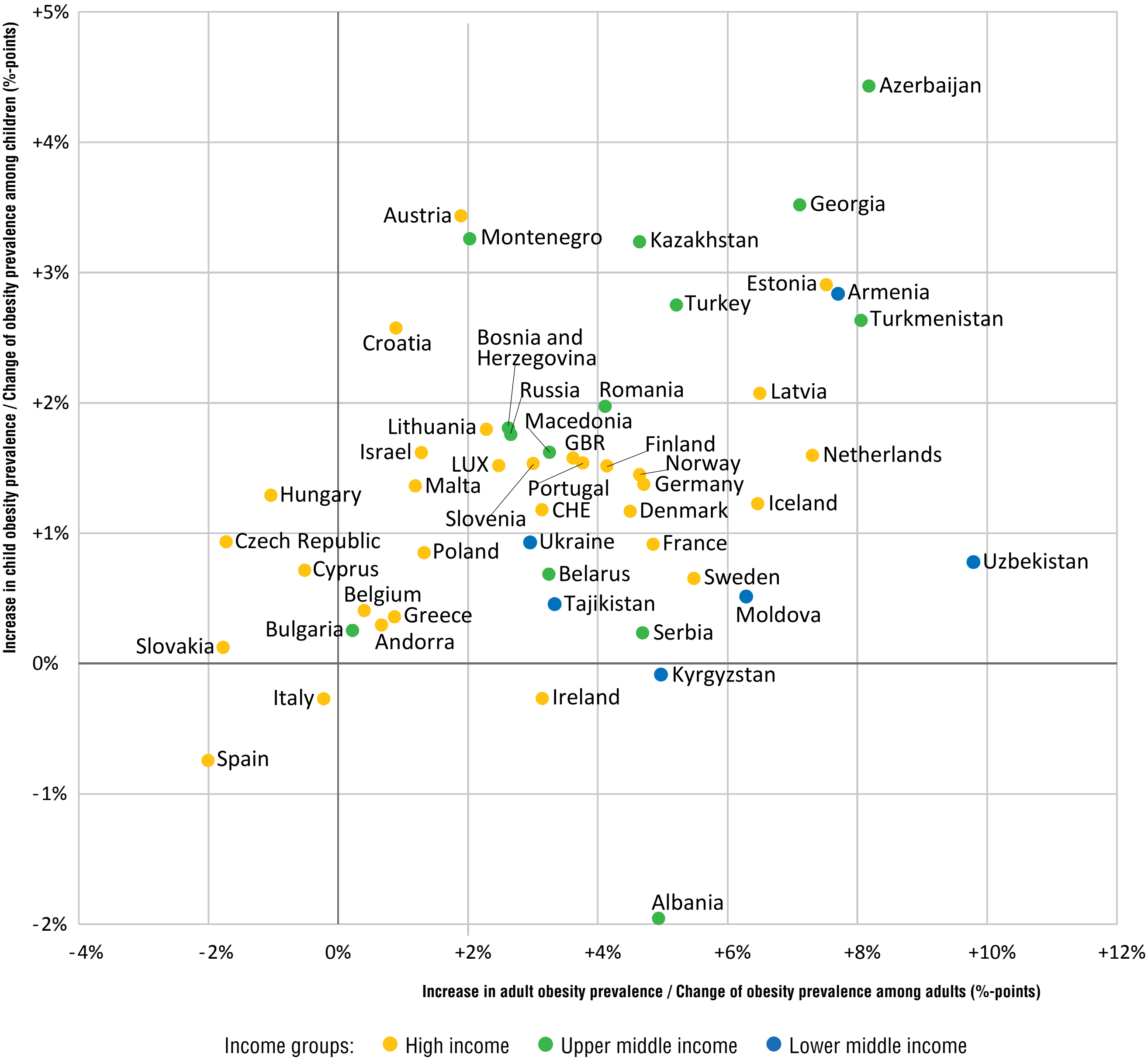
Introduction

"[…] how can food and soft drink makers market and sell their products to the masses of children around the world, seeing them more as opportunities for profit, and turning a blind eye to the spiralling rates of childhood obesity and early onset diabetes?"[1] When World Health Organization (WHO) Director-General Tedros Adhanom Ghebreyesus asked this question in his opening remarks at the Global Conference on NCDs in Montevideo 2017, his words must have resonated with most attending Ministers of Health. Globally, the number of obese children and youths was estimated to have reached more than 107 million in 2015 – 30 million more than 15 years earlier and a 1.1 percentage point increase in prevalence.[2]

Out of 51 countries in the WHO European Region, in 42 countries, obesity among children and youth has increased (**see Figure 1**). In absolute numbers these developments appear even more dramatic:

Figure 1: Where did obesity among children and adults increase in the WHO European region? Prevalence of obesity by country and income group, 2000–15



Source: Prevalence figures from GBD 2015 in Obesity Collaborators (2017). Calculations and illustration CPC Analytics.

since 2000, the number of obese adults has increased by 38 million. The number of obese children rose by 1.5 million.

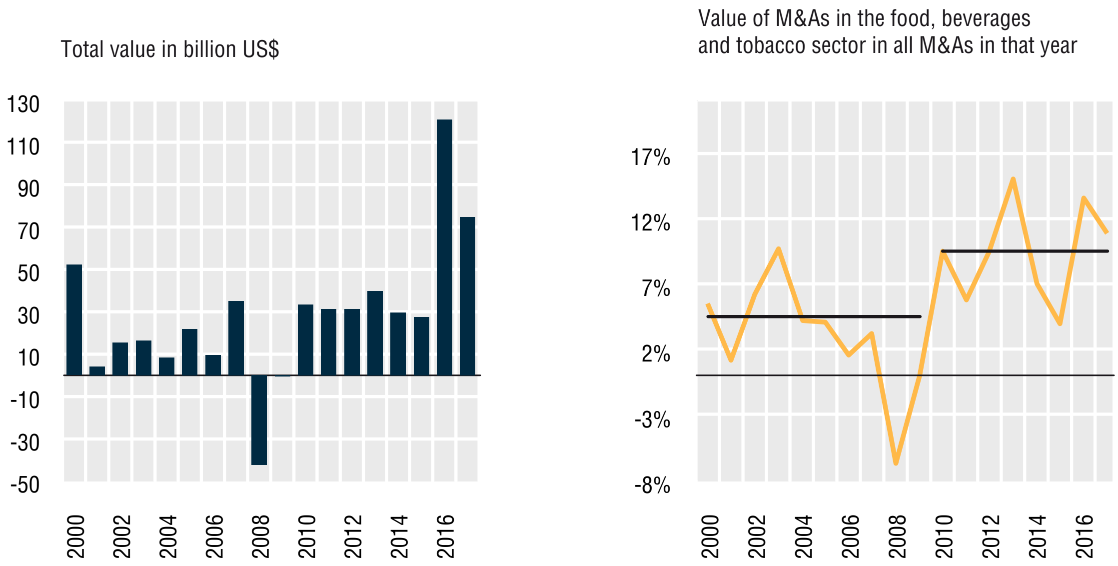
Commercial determinants of health and NCDs

Dr Ghebreyesus' remarks also reflect a new perspective on the role of private sector firms: in a global consumer society, economic actors are increasingly considered as health actors. If corporations promote and sell products that are potentially harmful to health, the argument that consumers can decide for themselves does not resonate to the same extent.

Certainly, public health analysis has always looked at the power of corporations – especially in the field of tobacco, but only more recently has it started to include other sectors in a more systematic way by discussing "unhealthy commodities"[3], "industrial epidemics"[4], "profit-driven epidemics"[5], and corporate practices harmful to health.[6] This type of analysis is concerned with "risks *inherent* from consumption of, or exposure to, commercial products – such as ultra-processed foods and beverages, tobacco and alcohol" [emphasis added by the authors].[7]

Proposed as a concept to unify such perspectives, the banner of the 'commercial determinants of health (CDoH)' suggests the systematic analysis of drivers and channels by which corporations have an impact on the NCD

Figure 2: Cross-border M&A purchases in food, beverages, and tobacco



Source: World Investment Report 2018, Table 10 (Annex); calculations and illustrations by CPC Analytics.

Notes for right panel: The average M&A value in the sectors food, beverages, and tobacco between 2000–2009 is calculated by excluding the two crisis years. If included the average would be even lower.

pandemic. CDoH are defined as "strategies and approaches used by the private sector to promote products and choices that are detrimental to health".[8] This single concept comprises a number of others: at the micro level, these include consumer and health behaviour, individualisation, and choice; at the macro level, the global risk society, the global consumer society, and the political economy of globalisation.

One of the key drivers identified within the CDoH is the internationalisation of trade, capital and information flows. Higher degrees of trade openness, as well as global media access, allow companies to reach more customers with their marketing messages and their products. Higher trade volumes can also come with a higher dependence on foreign products, changing food diets, and potentially less influence of national policies to shape food supply chains. The dynamic behind this driver is astonishing: in 2016 goods and services worth US$ 22 trillion were imported around the world – up from US$ 7.9 trillion in 2000 and an equivalent of 28% of global gross domestic product (GDP). While the effects of trade on health have been subject to much research, there is yet little understanding of the impact of global capital flows on health and the risk factors driving NCDs.

The relevance of global investors

There are various ways in which global capital flows can affect industries relevant for NCD risk factors. While those might differ from industry to industry, the following four general aspects give an idea of the terrain:

(1) ***Ownership:*** CEOs and other corporate officers are responsible for their business strategies and the impact their business activity has on stakeholders. In the end, however, the true accountability lies with the owners of that business, i.e., the shareholders.

(2) ***Industry specifics:*** Large food, beverage, and tobacco firms are among the most internationalised businesses in the entire economy. While national regulation and cultural characteristics play a vital role for the final consumption basket, global sourcing strategies imply a heavy reliance on inputs from various countries and sectors. Economies of scale are an important factor in the profitability of food, wholesale, retail, and beverage firms, which usually have low margins per product sold. The setup of a global supply and production chain is a capital-intensive endeavour. Ideally, one product can be sold across countries without much customisation.

(3) ***Concentration:*** Global investment activity can lead to or accelerate market concentration in countries or entire economic regions. International investors that actively manage their investments (such as private equity firms) have a great incentive to utilise synergies between their investments across sectors and countries. National competitors might see themselves confronted by multinational enterprises backed by international capital.

(4) ***Leverage:*** Addressing the source of funding of firms – be it through equity (e.g. the selling of stocks) or through debt (e.g. loans of banks) – represents a potentially powerful lever to alter industry-wide business practices and strategies. It is this angle that triggered large divestment campaigns over the past 40 years in tobacco.[9]

Given the list above, there is immense ground work to be done among public health experts. Too little is known about the scale at which global capital plays a role within the food, beverage, and tobacco industries in different countries. Moreover, it is not just the 'how much' which plays a role. For any political strategy it is relevant to ask about the actors. Pension funds, investment firms, insurers, and banks

Figure 3: How much of the stock is held by institutional investors? Share in all ‘shares outstanding’ by sector and region, 2000–17

Notes: Emerging refers to Argentina, Botswana, Bulgaria, Cameroon, China, Croatia, Hong Kong, India, Kenya, Malaysia, Namibia, Netherlands Antilles, Peru, Russia, South Africa, South Korea, Sri Lanka, Trinidad & Tobago, Vietnam, Zambia, Chile, Israel, Mauritius, Philippines, Taiwan, Bangladesh, Brazil, Colombia, Egypt, Indonesia, Ivory Coast, Jamaica, Jordan, Lithuania, Mexico, Morocco, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Serbia, Singapore, Slovenia, Thailand, Tunisia, Zimbabwe, Tanzania. Europe refers to Austria, Denmark, France, Germany, Hungary, Ireland, Italy, Spain, Sweden, United Kingdom, Czech Republic, Poland, Portugal, Turkey, Belgium, Cyprus, Finland, Greece, Netherlands, Norway, Switzerland, Malta.

Source: Damodaran Online, based on Bloomberg, Morningstar, Capital IQ and Compustat. Calculations and illustration CPC Analytics.

are active around the world shifting the savings of billions of people from portfolio to portfolio in order to maximise profits for the firm and savers. There will be differences across sectors. Some sectors and their key players might not be publicly traded, but rather owned by entrepreneurs themselves or wealthy individuals.

Finally, it is important to ask how to transactions represent a “lasting interest”* in foreign enterprises (e.g. voting power or market access). M&As also imply that investors purchase existing business assets in the country (be it to incorporate or replace that business infrastructure). In 2017, such cross-border M&A purchases were estimated to have reached more than US$ 690 billion.

panel). Clearly, over the past seven years, international capital has become a more important factor in these sectors.

The role of institutional investors

Institutional investors such as pension funds, insurance firms, and investment funds are key actors behind transnational capital flows. In OECD-countries alone