

Tobacco Control in Developing Countries



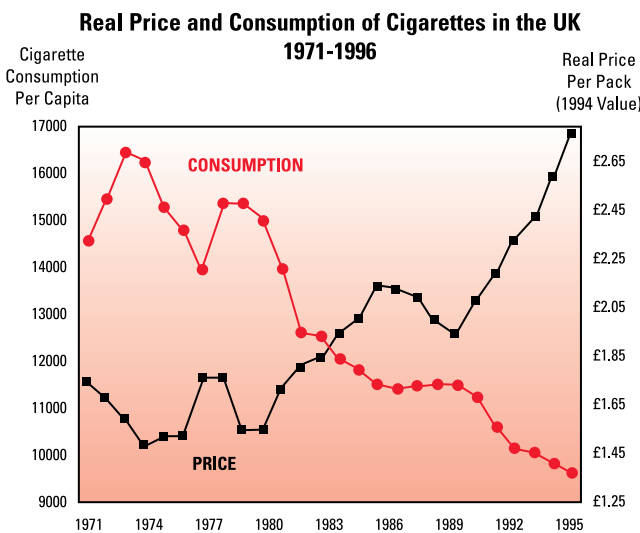
Price and Other Measures to Reduce Demand is Key to Tobacco Control

- Tobacco control aims to help adults to quit smoking and deter children from starting.
- Both stopping smoking and not starting are important. Only adult cessation can substantially reduce tobacco deaths over the next 25 years (as in the UK, where cigarette sales and tobacco deaths in middle age almost halved over the past 25 years). Reducing uptake rates by young people can, however, substantially reduce tobacco deaths beyond 2050.

PRICE MEASURES

- Price is the single most effective measure to reduce consumption.
- An increase in the price of cigarettes prompts people to quit smoking or reduce consumption and deters others from starting.

Figure 1.1 As Cigarette Price Rises, Consumption Falls



- A 10% increase on cigarette prices worldwide would reduce consumption by 4% in high-income countries and by 8% in low- and middle-income countries. Of the smokers alive in 1995, about 42 million would stop smoking and about 10 million premature deaths would be prevented.
- Government action to increase cigarette taxes will not lead to lower tax revenues in the medium to long term. Tax increases that raise the price of cigarettes by 10% worldwide would increase revenues by about 7% on average. In China, a 10% increase in cigarette tax would cut consumption by 5% and increase revenues by 5% – enough to finance a package of essential health measures for one-third of China’s poorest 100 million people.

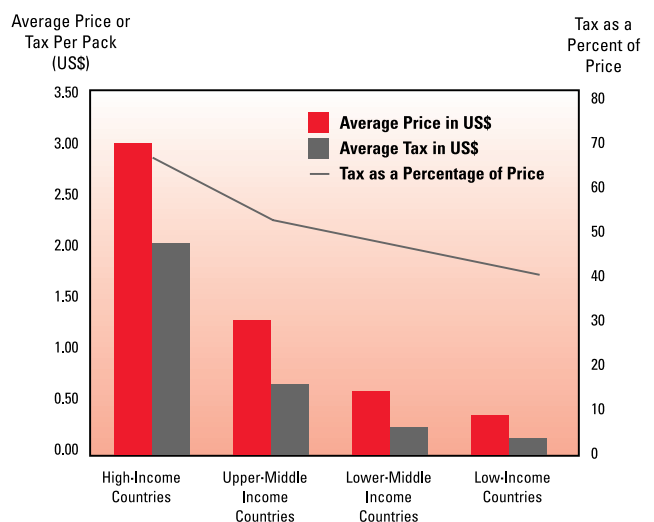
- A price increase is also the most cost-effective measure. Conservative estimates suggest that in low- and middle-income countries the cost – taking into account the legal and administrative costs of implementation and monitoring – would be US\$4–\$34 for every year of healthy life saved. This compares favourably with the cost of other government-funded interventions such as childhood immunization.

Table 1.1 Potential Impact of a Price Increase of 10% and a Package of Non-price Measures

Region	Change in number of smokers (millions)		Change in number of deaths (millions)	
	10% price increase	Non-price measures that reduce smoking prevalence by 2%	10% price increase	Non-price measures that reduce smoking prevalence by 2%
Low/Middle-income	-38	-19	-9	-4
High-income	-4	-4	-1	-1
World	-42	-23	-10	-5

Figure 1.2 There is Still Ample Room to Increase Cigarette Tax

Average Cigarette Price, Tax, and Percentage of Tax Share Per Pack, by World Bank Income Groups, 1996



- There is still ample scope to increase cigarette taxes – especially in developing countries. In most high-income countries, tax accounts for at least two-thirds of the retail price of cigarettes. In lower-income countries, tax generally accounts for less than half of the retail price.

NON-PRICE MEASURES

Other non-price measures – such as comprehensive bans on advertising and promotion, consumer information, prominent warning labels, and clean air restrictions – are also effective. When used in tandem, these could persuade 23 million of the smokers alive in 1995 to quit – and prevent 5 million deaths (including 4 million in low- and middle-income countries).

Advertising and Promotion

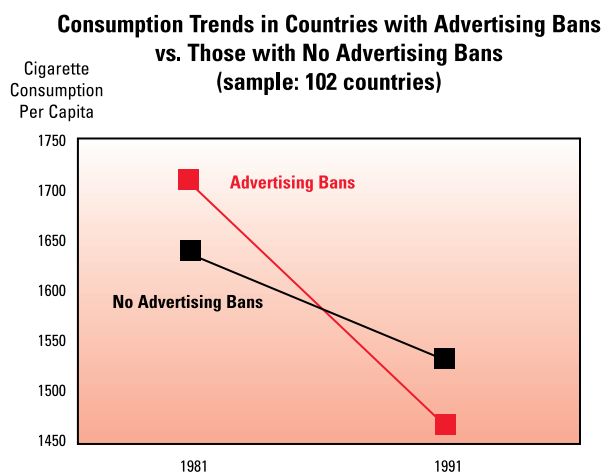
- Advertising in the tobacco industry accounts for about 6% of sales revenue – about 50% higher than the average industry.
- Spending on tobacco advertising and promotion in the United States alone exceeded US\$5 billion in 1996 – more than the total public expenditure on health in India.

Table 1.2 The Shift from Advertising to Promotion: Spending on Tobacco Advertising and Promotion in US\$ (millions) by the US Tobacco Industry.

Activity	1986	1996	Change (%)
Newspapers and magazines	611	257	-58
Other advertising	777	574	-26
<i>Total advertising</i>	1,388	831	-40
Product positioning	1,167	2,151	84
Sponsorship of events	117	171	47
Other promotional activities	1,671	1,955	17
<i>Total promotional</i>	2,955	4,277	45
<i>Total advertising and promotional activities</i>	4,343	5,108	18

- A comprehensive ban on cigarette advertising and promotion – covering all media and all uses of brand names and logos – would reduce tobacco consumption by over 6% in high-income countries.

Figure 1.3 Comprehensive Advertising Bans Reduce Cigarette Consumption



- Partial bans have little or no impact on demand since advertising can be switched to alternative media.
- The new European Union comprehensive ban on cigarette advertising and promotion is expected to reduce tobacco consumption by about 7%. However, the recent elimination of billboard advertising in the US is likely to have little if any impact on smoking.

Publicizing Tobacco Research

Publicizing research on the health effects of smoking by government and scientific agencies can be highly effective. In Switzerland, anti-smoking publicity in the mass media resulted in an 11% drop in consumption.

Warning Labels

- Evidence from Australia, Canada, and Poland suggests that warning labels on cigarette packets can be effective – provided they are large, prominent, and contain hard-hitting and specific factual information.
- A 1996 study in Canada suggested that half of smokers intending to quit or reduce their consumption were motivated by warnings on cigarette packs.

Nicotine Replacement Therapy

- Widely increased use of nicotine replacement therapies (NRT) could persuade an additional 6 million smokers to quit and avert 1 million deaths.
- In high-income countries, the launch of over-the-counter sales of NRT would persuade a lot more people to quit smoking. In many low-income countries, NRT supplies are not available.
- In many countries, a day's supply of NRT costs about the same as the average daily consumption of tobacco. But a course of NRT requires a relatively large payment upfront.
- Compared with the sale of cigarettes, the sale of NRT products is highly regulated. Governments can quickly deregulate NRTs, so they can "compete" with cigarettes.

Restrictions on Smoking in Public Places and the Workplace

- In the United States, these kind of restrictions are estimated to have reduced tobacco consumption by 4%-10%.
- However, since most non-smokers' exposure to tobacco smoke occurs in the home, restrictions in public places or workplaces afford only partial protection.

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Tobacco Control in Developing Countries



Cigarette Smuggling is Not Only Determined by Price, and Can be Controlled

THE SMUGGLING SPECTRUM

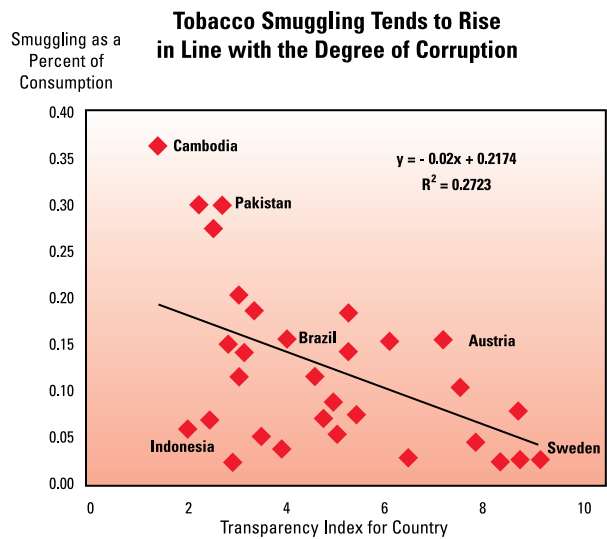
Wholesale smuggling: Large-scale organized smuggling involving illegal transportation, distribution and sale of large consignments of cigarettes on the “black market” without paying applicable taxes in either the country of origin or sale. This accounts for the lion’s share of worldwide smuggling.

Bootlegging: Cigarettes purchased legally in one country but sold illegally (i.e., without paying taxes or duties) at higher prices in another. This often occurs in neighbouring states or countries with substantial price differentials.

HOW BIG IS THE PROBLEM?

- Smuggled cigarettes account for 6% – 8.5% of global consumption.
- In countries like Bangladesh, Cambodia, Colombia, Latvia, Lithuania, Myanmar and Pakistan, smuggled cigarettes accounted for between 30% – 53% of domestic sales in 1995.
- Nearly a fifth of all cigarette production is exported. Of that amount, almost one-third (30%) – about 355 billion cigarettes a year – finds its way into the contraband market.
- It is estimated that a single truckload of smuggled cigarettes could evade US\$ 1.2 million in taxes in the European Union.
- Because taxes on cigarettes often account for a large share of their price (50% – 66%), they are especially appealing to potential smugglers. But price and tax rates are not the only incentive.
- Smoking and smuggling are mutually reinforcing activities that thrive wherever corruption is rife, informal distribution networks (e.g. street vendors) are abundant, laws are lax and crime networks flourish. A simple index of how corrupt a country is explains more of the variation in smuggling than price differences.

Figure 2.1 Tobacco Smuggling Tends to Rise in Line with the Degree of Corruption



- Crime, corruption and tolerance for street sales are closely linked to smuggling. For example, although high-tax Scandinavian countries show little evidence of smuggling, despite lower prices and taxes, it is widespread in Spain, Italy and many Central and Eastern European countries.
- There are major crime concerns: potential profits associated with wholesale cigarette smuggling create incentives for organized crime networks to develop. These in turn put pressure on legitimate distributors and increase the general level of corruption.

WHAT ARE THE SOLUTIONS?

The study suggests a wide spectrum of solutions, including the following:

- Hike the price. Despite its addictive nature, cigarette smoking responds to economic variables: when price goes up, consumption goes down.
- Don't buckle to false arguments that higher cigarette taxes don't work in the face of smuggling. Just the reverse has proven to be true as Canada and Sweden's cigarette tax cuts in the 1990s demonstrated.

- Stem smuggling. The key supply-side measure to reduce smoking is to reduce the supply of illegally tax-free, cheap cigarettes.
- The right response is for countries to adopt policies that make it “less profitable, more difficult and more costly to engage in smuggling”. These include prominent tax stamps, serial numbers, special package markings, health warning labels in local languages and better tracking systems.
- Crack down on crime. The level of corruption statistically explains more about smuggling than cigarette prices. Impose tougher smuggling penalties.
- In South Africa, where cigarette taxes were raised by over 350% between 1990 and 1997, consumption fell by 22%, revenues increased by 177%, and smuggling rose from almost zero to about 6% over the same period.
- In Europe, even in the presence of bootlegging, action by an individual country to increase cigarette tax would result in higher revenues. However, a coordinated increase in tax rates among neighbouring countries would lead to even higher revenues.

Table 2.1 Percent of Cigarette Tax Revenue Increase Resulting from a 10% Price Increase, Taking Bootlegging into Account.

Country	Each country raises tax alone	All countries raise tax together
Bulgaria	+9.7%	+9.8%
France	+5.8%	+7.0%
Germany	+2.6%	+4.7%
Turkey	+9.6%	+9.6%
UK	+4.6%	+5.9%
All 17 European countries	+6.9%	+8.2%

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Tobacco Control Does Not Harm the Economy

- A body of evidence shows that tobacco control does not harm the economy. The fall in consumption of cigarettes does not erode tax revenues or cause millions of permanent job losses.
- Any fall in demand is expected to be gradual – allowing for a slow adjustment period. Even under the most optimistic scenario, measures to reduce demand would slow the growth in global demand for tobacco rather than significantly reduce it in the short term.

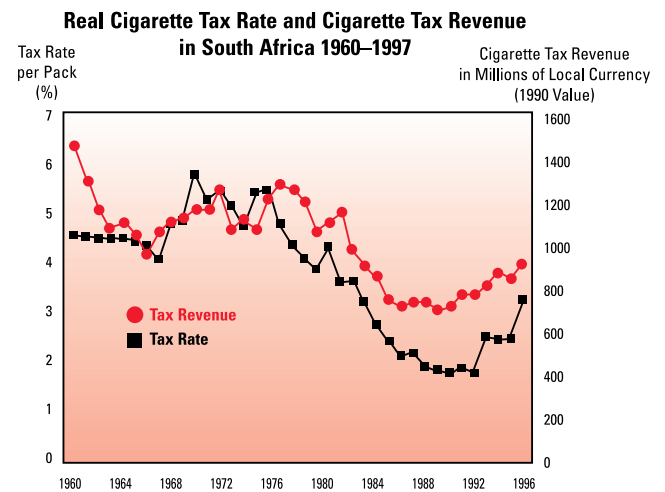
EMPLOYMENT

- A major reason for government reluctance to clamp down on smoking is the fear that a fall in consumption will lead to millions of permanent job losses. These fears – often based on studies by the tobacco industry – are unfounded.
- Independent studies have shown that job losses would be minimal and gradual. Most countries would experience no net job losses and some would experience net gains. Money spent on cigarettes would be spent on other consumer items instead – thus generating new jobs.
- If global demand for tobacco products fell, a handful of tobacco-producing countries – mainly in sub-Saharan Africa – would experience job losses. However, these job losses would be gradual and temporary. Among the worst affected would be Malawi and Zimbabwe where tobacco accounts for 61% and 23% of export earnings. These countries would need assistance – to switch to alternative crops, for example – during the transition period.
- In Bangladesh, where most cigarettes are imported, formal employment would increase by 18% if domestic consumption was eliminated and smokers switched their money to other goods and services.
- In Zimbabwe, a major tobacco exporter, 12% of jobs would be lost if all domestic tobacco farming stopped overnight.

TAX REVENUES

- An increase in the tax on cigarettes would not lead to a drop in overall tax revenues. The fall in demand for cigarettes would be more than offset by increased revenues from the higher tax.
- An increase of 10% on the price of cigarettes worldwide would increase tax revenues by 7% on average.
- Some non-price measures, such as comprehensive advertising and promotion bans, information campaigns, and warning labels, can be expected to reduce revenues. However, the impact of this would be offset by tax increases as part of a comprehensive control package. In the long term, governments can raise revenue from other sources.

Figure 3.1 Revenues Go Up when Cigarette Taxes are Increased



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Restricting Supply is Ineffective in Reducing Smoking

Government efforts to reduce cigarette consumption by restricting supplies have been largely unsuccessful. Banning tobacco is unrealistic and unlikely to work. However, governments should make a serious effort to crack down on smuggling.

TRADE RESTRICTIONS

- The liberalization of trade has contributed to an increase in cigarette consumption in low- and middle-income countries.
- However, a clamp down on trade would be counter productive – inviting retaliatory action that could threaten economic growth and incomes.
- The General Agreement on Trade and Tariffs allows countries to adopt and enforce measures to protect public health – provided the measures apply equally to both domestic and imported products.
- The proposed World Health Organization Framework Convention on Tobacco Control offers a long-term approach to global cooperation and coordination on tobacco control.

PROHIBITION

Prohibition is unlikely to be effective:

- Banned substances continue to be used illicitly – increasing crime rates and entailing costly enforcement.
- Prohibition could provoke a political backlash in some countries.

RESTRICTIONS ON TEENAGE SMOKING

- In high-income countries, efforts to restrict the sale of cigarettes to teenagers are difficult to enforce and largely unsuccessful.
- Meanwhile, low-income countries lack the resources and infrastructure needed to limit sales to teenagers.

CROP SUBSTITUTION

- Of the 100 tobacco-producing countries worldwide, four – China, the United States, India, and Brazil – account for two-thirds of global production.
- Only two countries worldwide are significantly dependent on tobacco for their export earnings : Malawi (61%) and Zimbabwe (23%).
- Tobacco is a highly profitable cash crop and farmers often receive incentives from the tobacco industry.
- With the possible exception of Canada, efforts to persuade tobacco farmers to switch to other crops have been unsuccessful.
- However, crop substitution may be helpful in the long term to help meet the transition costs of the poorest farmers.

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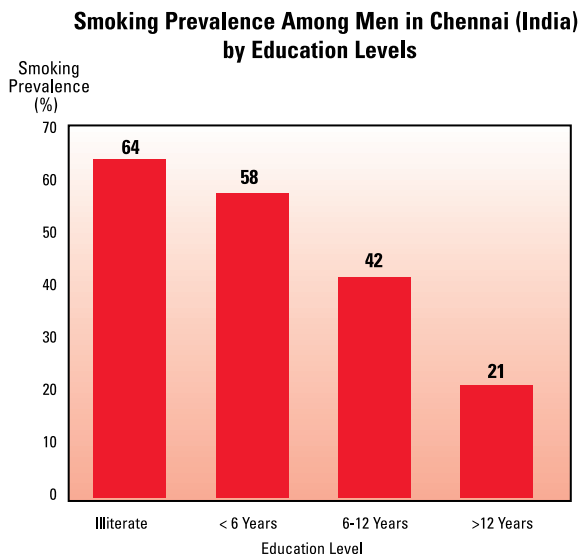
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Smoking and Smoking Deaths are More Common Among the Poor

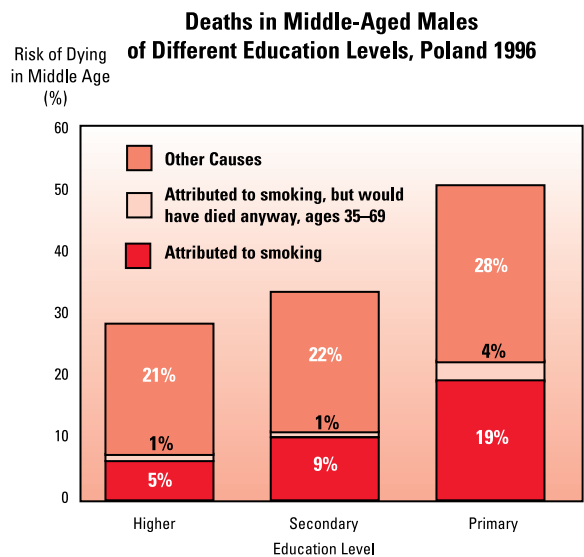
- About 80% of the world’s smokers live in low- and middle-income countries. On current trends, by the year 2030, these countries will experience 7 million tobacco-related deaths a year – 70% of the global total.
- Within all countries, poor or uneducated men are more likely to smoke than men with higher incomes or education. The situation for women is more complex.

Figure 5.1 Smoking is More Common Among the Less Educated



- Among male smokers in England and Wales, Poland, Canada, and the United States, smoking accounted for at least half of the differences in risk of death in middle age between men from low and higher economic groups.
- Smokers who live in low- and middle-income countries quit less often. While in most high-income countries, about 30% of men are former smokers, only 2% of men in China had quit in 1993 and only 5% of men in India. In Viet Nam, only 10% of men had given up smoking in 1997. Many did so because they became ill from smoking.

Figure 5.2 Education and the Risk of Smoking-attributable Death



- Since the poor are more responsive to price increases, they are more likely to stop smoking if cigarette prices go up. And the financial benefits of quitting are greater for those on low incomes – accounting for a proportionately larger increase in overall disposable income. However, among the poor who continue to smoke, higher cigarette taxes will impose a disproportionately high financial burden.
- Use of the revenues from higher cigarette taxes for health services targeted to the poorest socio-economic groups could produce “double health gains” – reduced tobacco consumption and increased access/wider use of health services.
- In China, for example, it is estimated that a 10% increase in cigarette taxes would cut consumption by 5% and increase revenue by 5% – enough to finance a package of essential health services for one-third of China’s poorest 100 million people.
- Government subsidies for nicotine replacement therapy targeted to the poor could be used. But targeting the poorest would be very difficult.

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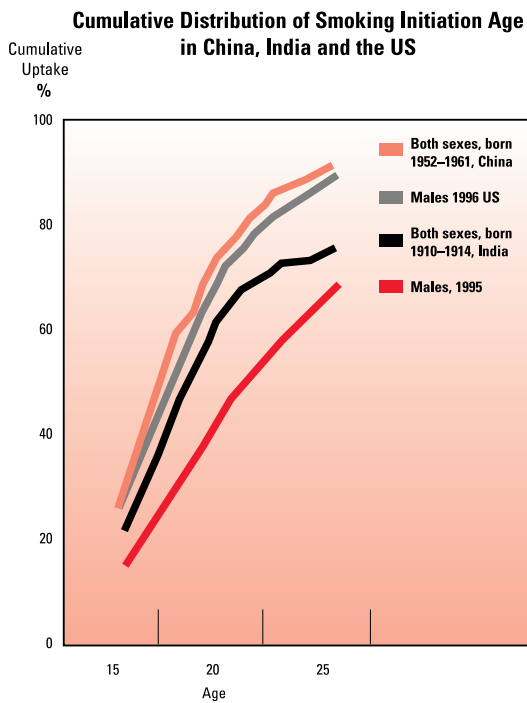


Tobacco is Becoming One of the Single Largest Causes of Death Worldwide

SMOKING PATTERNS

- By 1995, there were about 1.1 billion smokers worldwide – 80% of them in low- and middle-income countries.
- During 1995, almost 6000 billion cigarettes were smoked worldwide.
- Overall consumption has fallen among males in most high-income countries. However, it is on the increase among males in low- and middle-income countries and among females worldwide.
- Most smokers start smoking in early life. Every day, about 80–100 000 young people worldwide become regular smokers.

Figure 6.1 Smoking Starts Early in Life



- The age at which people start smoking appears to be falling – possibly the result of increased promotion aimed at children.
- About 80% of Chinese men who smoke started when they were under 20.

TOBACCO DEATHS

- In 1999, there were over 4 million deaths from smoking - one in 10 of all adult deaths.
- At least half of all regular lifelong smokers will eventually die from tobacco-related diseases. Of these, one in two will die in middle age – losing on average 20-25 years of life.

UNLESS SMOKING PATTERNS CHANGE:

About 1 billion people will die from smoking in the 21st century – ten times as many as the 100 million lives claimed by tobacco throughout the previous century.

- By 2030, 10 million people a year will die from tobacco-related diseases – 70% of them in developing countries.
- By 2030, tobacco will account for more deaths than the total deaths from malaria, maternal conditions, and injuries combined.
- About 500 million people alive today will be killed by tobacco – half of them in productive middle age. Of these deaths, about 100 million will be among men in China – which today accounts for one in four of the world's smokers.

Figure 6.2 Unless Current Smokers Quit, Tobacco Deaths Will Rise Steeply in the Next 50 Years

