

## **Economics of Tobacco for the Europe and Central Asia (ECA) Region**

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**May 20, 2001**

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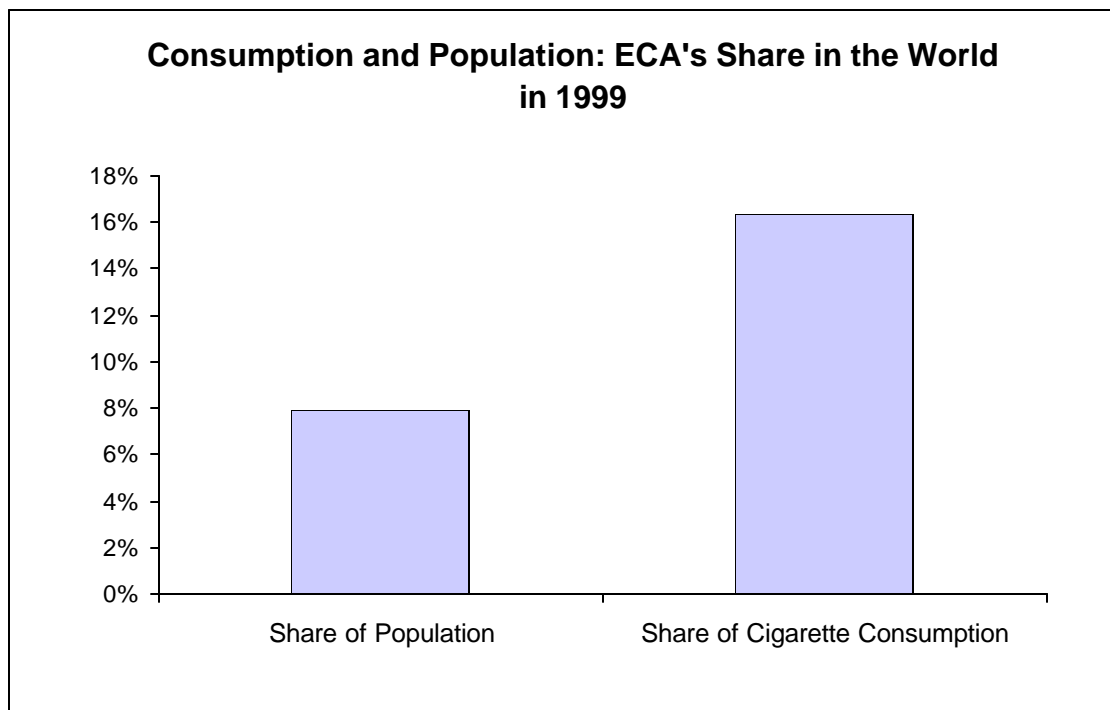
### **I: Executive Summary**

There are 29 countries included in the Europe and Central Asia (ECA) region, most of them are Eastern Europe and Former Soviet Union States. These countries are Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russian Federation, Slovakia, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan, and Yugoslavia. Smoking is a very serious problem in this region. In 1999, ECA accounted for 16% of world's total cigarette consumption, with only 8% of world's population. In MENA region, average consumption per person 15 years old and over was 112 packs in 1999.

### **II: Cigarette Consumption and Smoking Prevalence**

In 1999, the total cigarette consumption for ECA region was 845,267 million pieces, accounting for about 16.3% of the world total consumption. With only 8% of world's population, ECA's smoking incidence is heavy compared with other regions of the world.

Figure 1: Consumption and Population: ECA's share in the world, 1999



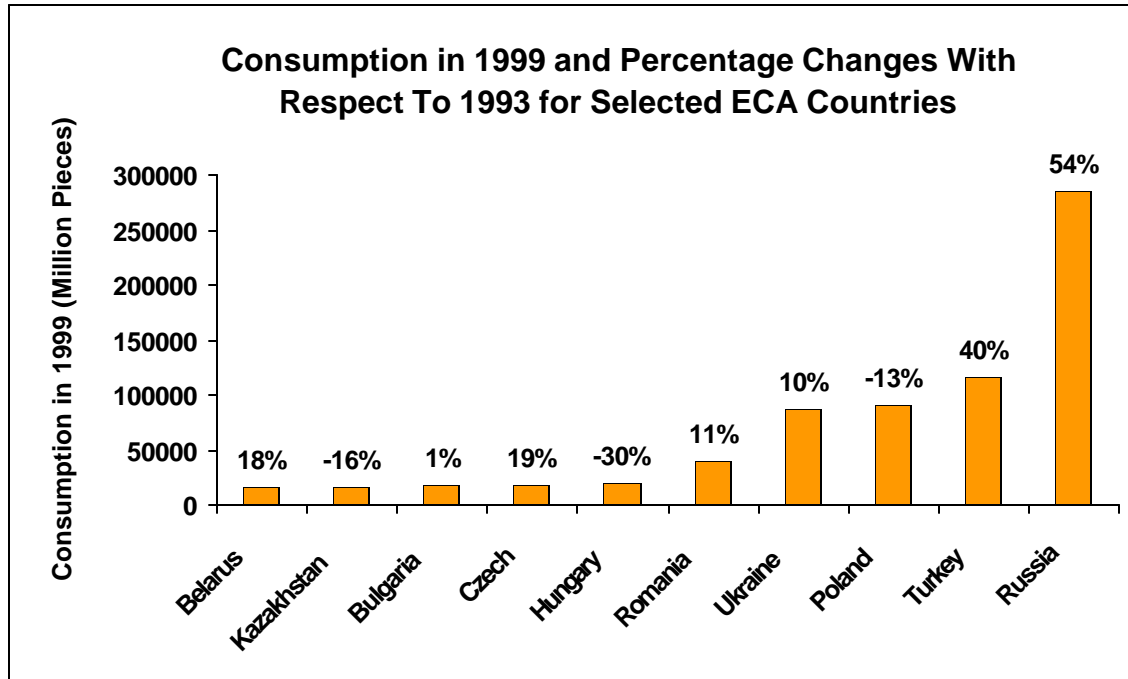
*Sources: USDA and ILO*

For ECA region, cigarette consumption is rising very rapidly. From 1993 to 1999, total consumption increased by 20%. The biggest two cigarette consuming countries, Russia

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and Turkey, recorded highest growth in consumption growth rate. During 1993 to 1999, cigarette consumptions in Russia and Turkey increased by 54% and 40%, respectively.

Figure 2: Cigarette Consumption in 1999 and Its Change Over 1993 Consumption Level for Selected ECA Countries

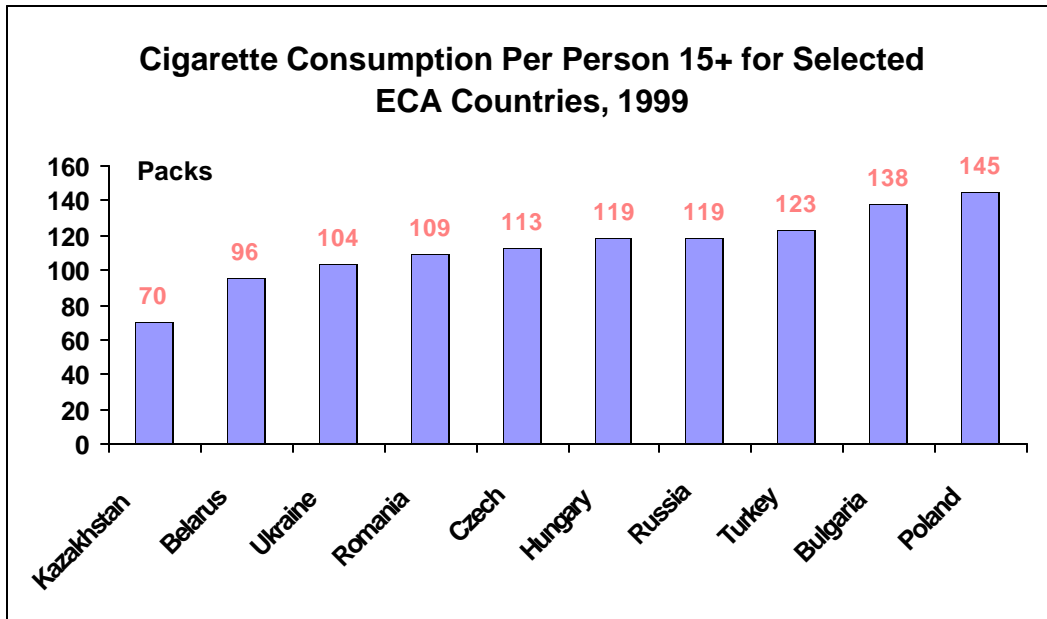


Sources: USDA and FAO

Cigarette consumption per adult 15 years old and over was 112 packs in 1999 for ECA region.

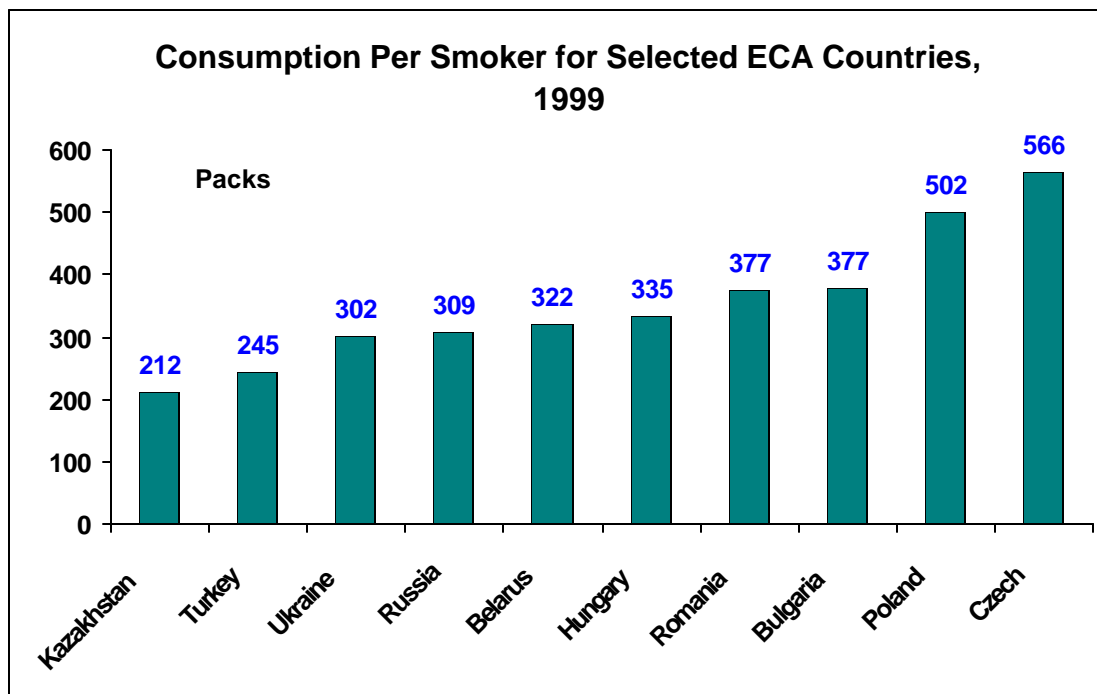
Figure 3: Cigarette Consumption Per Adult 15 Years Old and Over for Selected ECA Countries in 1999

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Source: The World Bank Estimates

Figure 4: Average Consumption Per Adult Smoker in Selected ECA Countries in 1999

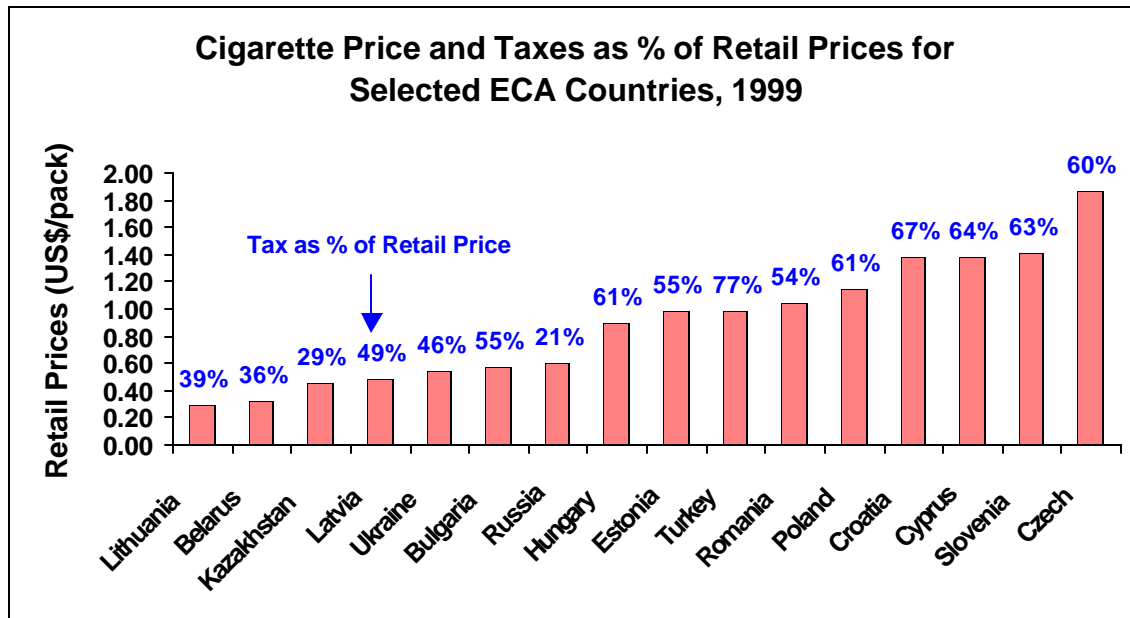


Source: The World Bank Estimate

### III: Cigarette Taxes and Prices

In 1999, total cigarette tax as percentage of retail price (excise, VAT and import taxes) varied from 21% in Russia to 77% in Turkey.

Figure 5: Average Cigarette Retail Prices and Cigarette Tax as % of Retail Prices in 1999

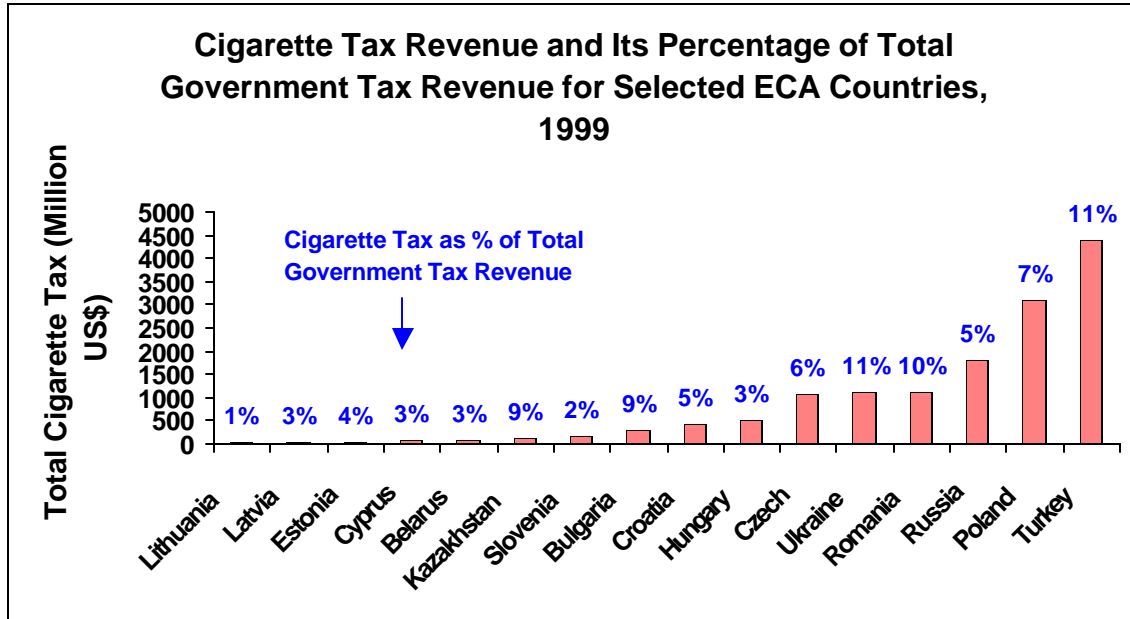


Source: World Bank Estimates

In a number of ECA countries, cigarette tax is a very important sources of government revenue. These countries include Turkey, Ukraine, Romania, Bulgaria and Kazakhstan. In these countries, taxes from cigarettes was about 10% of total government tax revenues in 1999. In 1999, Turkey collected US\$4.4 billion tax from cigarettes, the highest in this region.

Figure 6: Cigarette Taxes and Percentages of Total Government Tax Revenues

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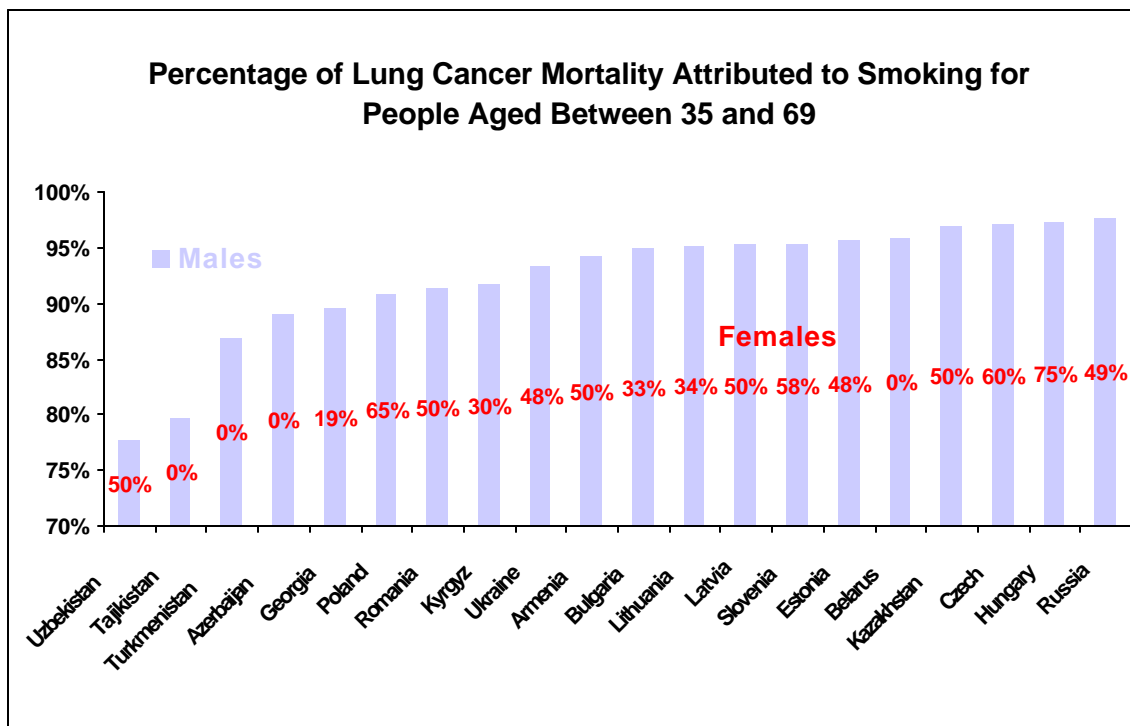


Source: The World Bank Estimates

**IV: Health Issues**

In ECA, percentage of lung cancer deaths attributed to smoker was much higher for men than for women, due to different smoking prevalence.

Figure 7: Percentage of Lung Cancer Mortality Attributed to Smoking



Source: WHO

### **V: Tobacco Control Measures**

Overall the smoking problems in ECA region is serious and rising. This calls upon more severe tobacco control measures. Many of countries in this regions lack a comprehensive tobacco control package.

We constructed a tobacco control index, aggregating scores in the following five fields: (1): tobacco advertising; (2): health Warning and contents on cigarette packages; (3): protection of non-smokers; (4): limitations on distribution of cigarettes; and (5): Health education programs against smoking. We found ECA countries had very different levels of tobacco control.

Figure 8: Tobacco Control Levels of ECA Countries, 1999

<b>Low-level of tobacco control</b>	<b>Middle-level of tobacco control</b>	<b>High-level of tobacco control</b>
Azerbaijan	Armenia	Bosnia and Herzegovina
Turkmenistan	Georgia	Czech Republic
Kazakhstan	Kyrgyz Republic	Estonia
Tajikistan	Romania	Hungary
	Macedonia	Poland
	Uzbekistan	Slovenia
	Yugoslavia, FR (Serb./Mont.)	Ukraine
	Albania	Bulgaria
	Croatia	Cyprus
	Moldova	Latvia
	Belarus	Lithuania
	Russian Federation	
	Slovakia	
	Turkey	

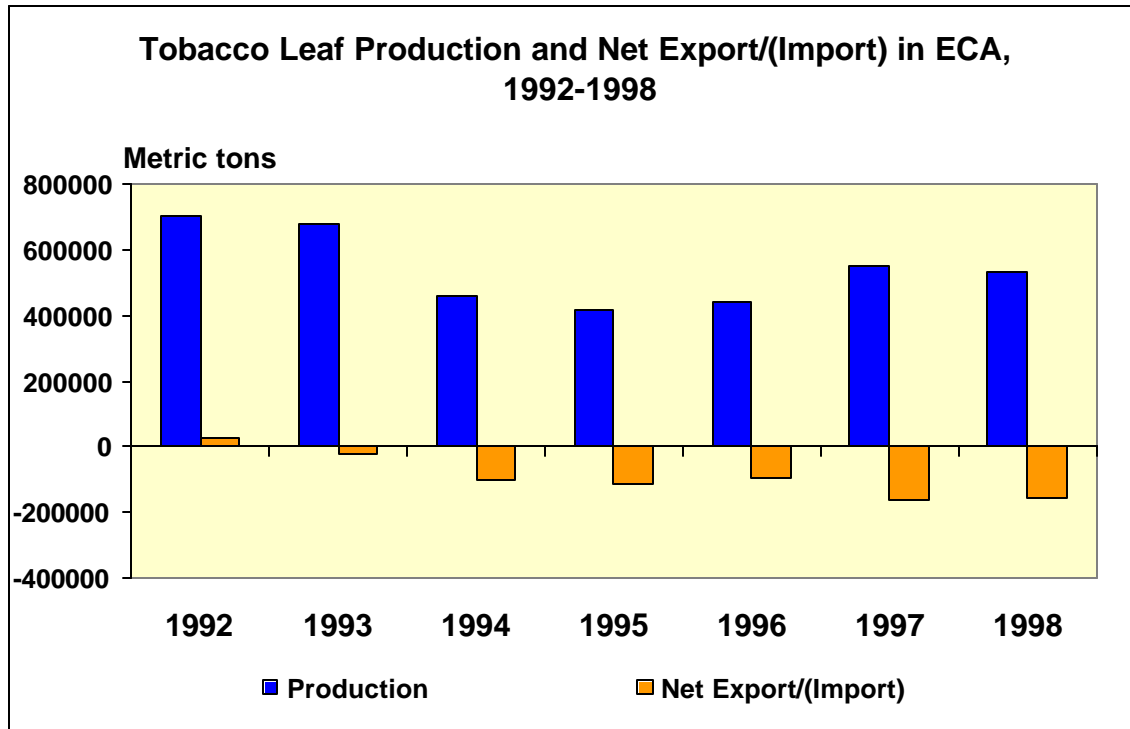
Source: The World Bank Estimates

### **VI: Production and Trade**

During 1992-1998, the leaf tobacco production is declining. As a result, there is an increasing trend in leaf imports. Total leaf tobacco production was 523,242 metric tons and Turkey accounted for half of that amount.

Figure 9: Tobacco Leaf Production and Net Export/(import) in ECA, 1992-1998

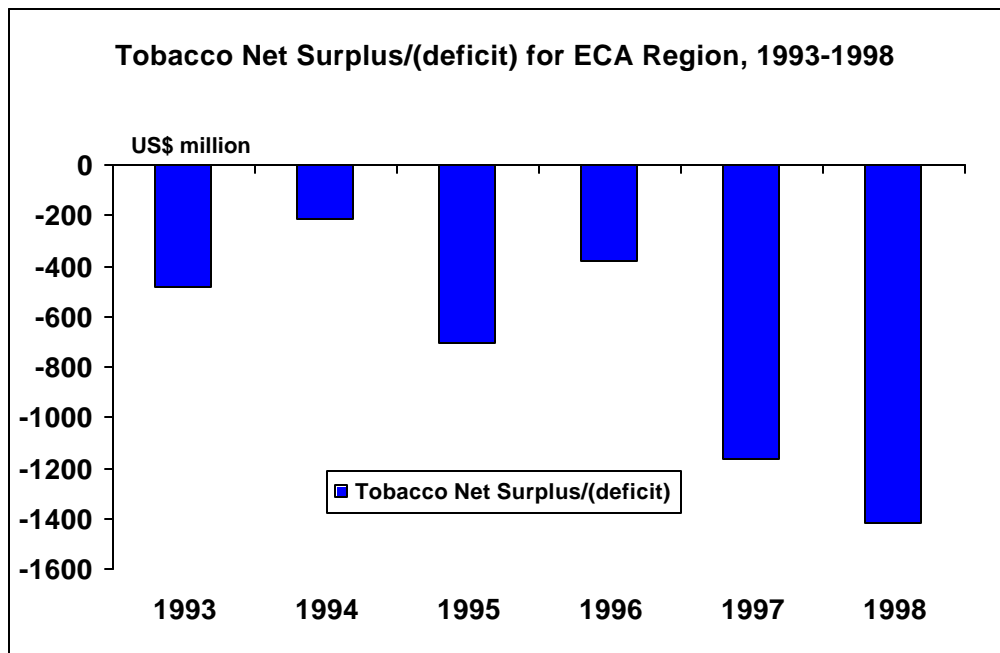
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Source: FAO

Overall, ECA region is losing money in tobacco trade. In 1993, total deficit in tobacco products trade was 487 million US\$. It became 1418 million US\$ in 1998.

Figure 10: Tobacco Net Surplus/(Deficits) for ECA Region, 1993-1998



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*Source: FAO*

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