Economics of Tobacco for the Europe (EU) Region

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I: Executive Summary

The EU region includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom. In 1999, EU accounted for 12% of the world’s total cigarette consumption, with only 6.5% of the world’s population. In the SA region, average cigarette consumption per person 15 years and older was 98 packs in 1999.

II: Cigarette Consumption and Smoking Prevalence

In 1999, total cigarette consumption for the EU region was 631,364 million pieces, accounting for 12% of the world total consumption (EU’s population was 6.5% of the world total in 2000). Cigarette consumption per person 15 years and older was 98 packs for this region in 1999.

Figure 1: Cigarette Consumption per Person 15 Years and Older, 1999

Source: USDA

Smoking prevalence is not very different among EU countries, from 19% in Portugal to 37% in Greece. Overall, the estimated number of smokers was 94 million in 1999.
Figure 2: Overall Smoking Prevalence in Selected EU Countries, 1999

![Smoking Prevalence in EU Countries](image)

Source: World Bank Estimate

**III: Cigarette Taxes and Prices**

The general level of taxation for cigarettes are high in EU countries. In 1999, total cigarette tax as percentage of retail price (excise and VAT) varied from 69% in Germany to 81% in Denmark.

Figure 3: Retail Prices and Cigarette Tax as % of Retail Price, 1999

![Retail Prices and Tax as % of Retail Price in EU Countries, 1999](image)
In most of EU countries, cigarette tax as a percentage of total tax is small. The only exception is Greece. In 1999, cigarette tax accounted for about 9% of total government tax in Greece.

Figure 4: Tobacco Tax as % of Total Government Tax, 1999

Cigarette Tax and Its % of Total Tax for EU Countries, 1999

Source: World Bank Estimates

IV: Health Issues

For all EU countries, smoking is proved to be a major cause of lung cancer and other diseases. For most of EU countries, percentage of lung cancer deaths caused by smoking was higher for men than for women, reflecting higher smoking prevalence for men. The only exception was Sweden which had a higher percentage for women. Not surprisingly, it is the only country in which women has a higher smoking prevalence (men: 17%, women: 22%).

Figure 5: Percentage of Lung Cancer Deaths Attributed to Smoking, 1995

Source: World Bank Estimates
Percentage of Lung Cancer Death Attributed to Smoking for Selected EU Countries, 1995


V: Tobacco Control Measures

Generally speaking, EU countries have the most comprehensive legislative framework to combat smoking. For example, Finland and UK experienced a massive lung cancer epidemic in the 1960s and reacted to it by organizing counter-measures that resulted in a clear decrease in prevalence of smoking and in tobacco-related death rates among middle-aged men. The commission of the European Communities (EU) has become a key contributor to the action against tobacco. EU policies have had and will continue to have a significant impact on the development of tobacco control initiative.

Germany, which has the strongest economy in this region, continues to be a primary threat against the tobacco control movement in Europe. Among the European Parliament, most German members voted against the EU tobacco-advertising ban. Despite pressure from Germany, EU managed to pass the directive in December 1998. Yet the future of this advertising ban remains uncertain because of the German government’s plea for an appeal of the directive.

VI: Production and Trade
Tobacco leaf production has been increasing steadily before 1990s and declined after that. In 2000, total leaf production in EU region was 612,000 metric tons, more than twice the production of 298,000 metric tons in 1961.

Figure 6: Tobacco Leaf Production in EU, 1961-2000

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<th>Total Tobacco Leaves Production in EU, 1961-2000</th>
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Source: FAO

In 1999, EU countries collectively produced 784 billion cigarettes. Germany, UK and Netherlands are the largest cigarette producers, accounting for 23%, 20% and 15% of the regional total in 1999.

Figure 7: Cigarette Production and Percent of EU Total, 1999
Overall EU region is a net tobacco importers. Net tobacco trade deficits rose sharply in early 1990s and reached its climax of US$587 million in 1993. It then declined abruptly. In 1998, total net deficits was only US$67 million.

Figure 8: Tobacco Trade Net Surplus for EU region, 1961-1998