

# The Economic Impact of Tobacco Control



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# Tobacco Industry SCARE Tactics

- Tobacco Industry **SCARE** tactics and misinformation deter governments from raising tobacco taxes and implementing effective tobacco control policies
- This is especially the case in low and middle income countries (LMICs), that often **lack technical capacity and/or political commitment**

**S** – Smuggling & Illicit Trade

**C** – Court & Legal Challenges

**A** – Anti-poor Rhetoric

**R** – Revenue Reduction

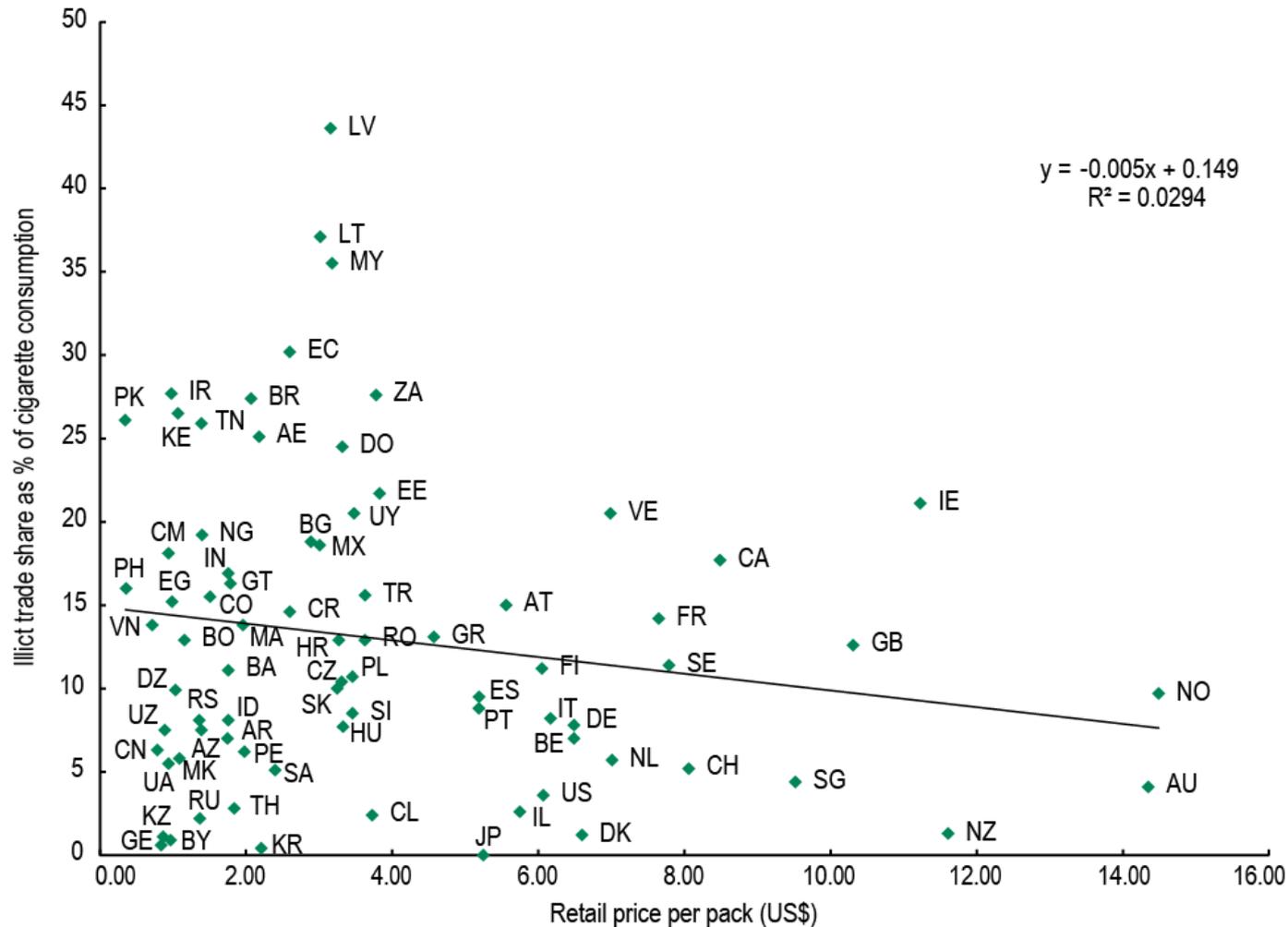
**E** – Employment Impact

*Adapted from Jeremias N. Paul, 2017*

# Chapter 14. Tobacco Tax Avoidance and Tax Evasion

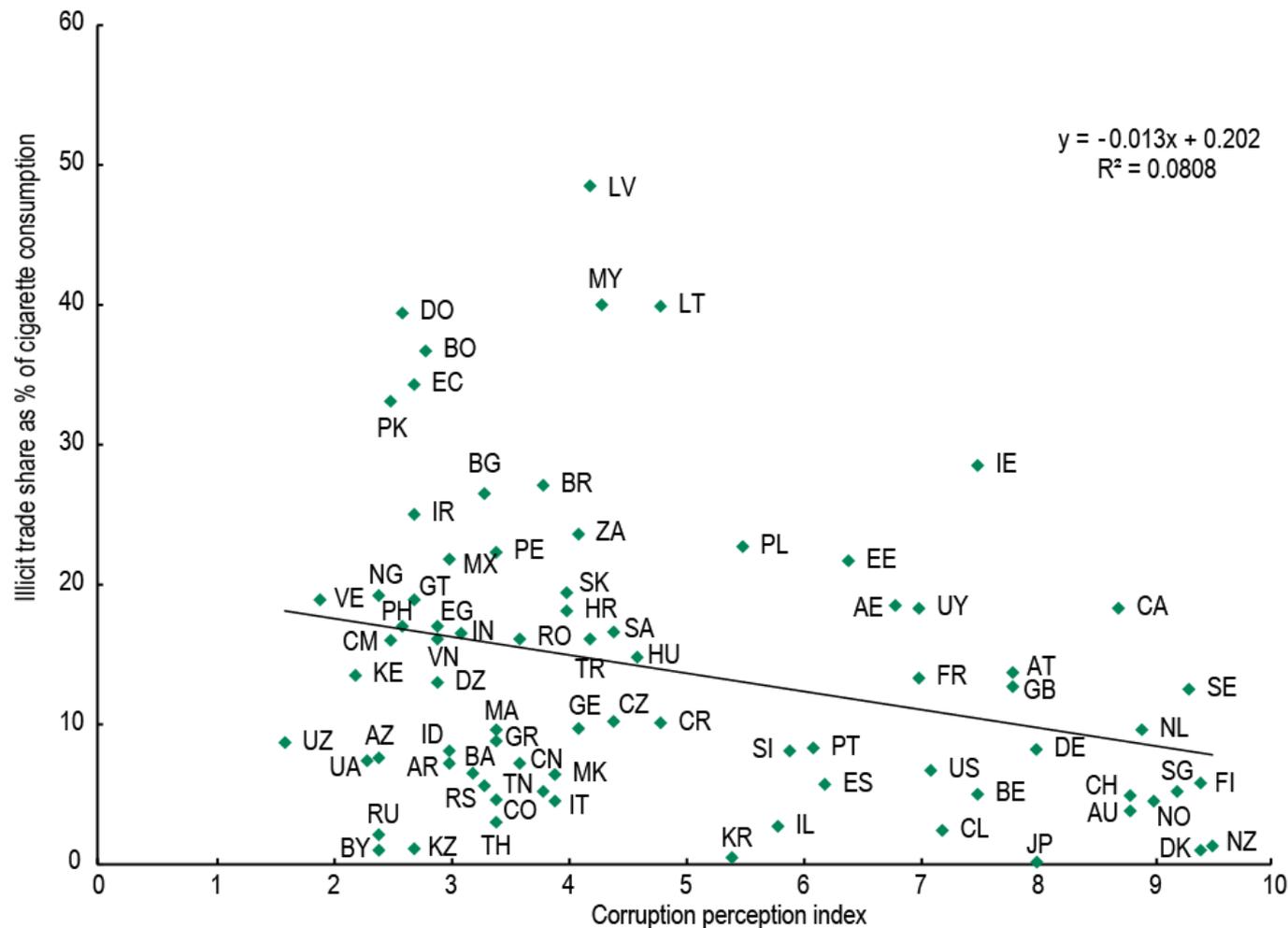
1. Tax avoidance and tax evasion, especially large-scale smuggling of tobacco products, undermine the effectiveness of tobacco control policies and reduce the health and economic benefits that result from these policies.
2. In many countries, factors such as high levels of corruption, lack of commitment to addressing illicit trade, and ineffective customs and tax administration, have an equal or greater role in explaining tax evasion than do product tax and price differentials.

# Figure 14.8. Share of Illicit Trade Versus Retail Prices of the Most Popular Brands, by Country, 2012



Sources: World Health Organization 2013 and Euromonitor International 2012

# Figure 14.10. Share of Illicit Trade Versus Corruption, by Country, 2011



Note: Lower scores on the corruption perception index indicate higher levels of corruption.

Sources: Euromonitor International 2011 and Transparency International 2011

# Chapter 14. Tobacco Tax Avoidance and Tax Evasion

3. Illicit trade has sometimes included the involvement of tobacco companies themselves.
4. Experience from many countries demonstrates that illicit trade can be successfully addressed, even when tobacco taxes and prices are raised, resulting in increased tax revenues and reduced tobacco use.
5. Implementing and enforcing strong measures to control illicit tobacco trade would enhance the effectiveness of significantly increased tobacco taxes and prices and strong tobacco control policies in reducing tobacco use and its health and economic consequences.

**Figure 14.12. Illicit Cigarette Market Share and Percentage of Most Popular Price Category Accounted for by Taxes, Italy, 1991–2010**



Note: MPPC = most popular price category of cigarettes.

Sources: European Commission 1991–2002 and ERC Group 2011

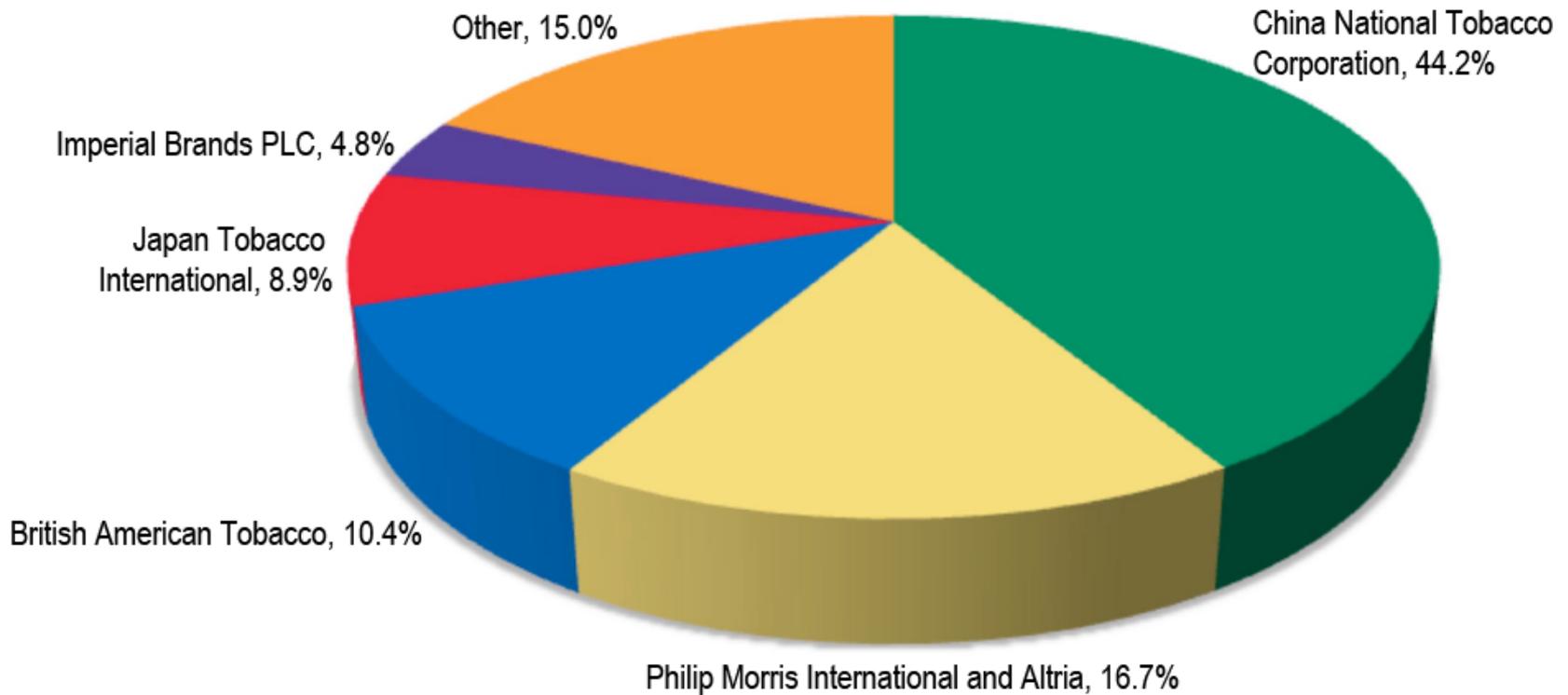
# Major Conclusions

5. Control of illicit trade in tobacco products, now the subject of its own international treaty, is the key supply-side policy to reduce tobacco use and its health and economic consequences.

# Major Conclusions

6. The market power of tobacco companies has increased in recent years, creating new challenges for tobacco control efforts.

# Figure 12.2. Global Cigarette Market Share Distribution, 2014



Note: Philip Morris International includes Philip Morris USA.

Source: Euromonitor International 2016

# Chapter 12. Tobacco Manufacturing Privatization and Foreign Direct Investment and Their Impact on Public Health

4. Increasingly, the tobacco industry is using trade and investment treaties to challenge innovative tobacco control policies. The tobacco industry also uses the threat of litigation, with its attendant costs, and lobbying campaigns to deter governments from advancing tobacco control policies, especially in low- and middle-income countries.

Figure 8.7 An Example of Australia's Plain Packaging, Showing Requirements for the Front and Back of the Cigarette Pack

### CIGARETTE PACK – FRONT

**BRAND AND VARIANT NAME:**

- horizontal and centred
- no larger than maximum sizes
- in Lucida Sans font
- in Pantone Cool Gray 2C colour
- in specified capitalisation

**MEASUREMENT MARK:**

- no larger than required size
- in Lucida Sans font
- in Pantone Cool Gray 2C colour

**NOTE:**

- The graphic and warning statement must:
- cover at least 75% of the front
  - join will between

Figure 8.7 (continued)

### CIGARETTE PACK – BACK

**NOTE:**

- The warning statement, graphic and explanatory message must:
- cover at least 90% of the back surface
  - join without space between them

**PACK FORMAT:**

- made of rigid cardboard
- no embellishments
- flip top lid

**OTHER MARKINGS:**

- name and address, country of manufacture, contact number, alphanumeric code
- in Lucida Sans font
- no larger than 10 points in size
- in specified colours

**BAR CODE:**

- rectangular
- black and white, or Pantone 449C and white

**PACK SURFACE:**

- colour is Pantone 448C (a drab dark brown)
- matt finish

**BRAND AND VARIANT NAME:**

- centred below health warning
- no larger than maximum sizes
- in Lucida Sans font
- in Pantone Cool Gray 2C colour
- in specified capitalisation

**GRAPI**

- not (
- extra surf

**MEASURE**

- no larger required
- in Lucida
- in Pantor 2C color

- WA**
- b
  - o
  - t
  - k
  - n
  - h
  - w
  - b

**PACK FORMAT:**

- made of rigid cardboard
- no embellishments
- flip top lid

**INFORMATION MESSAGE:**

- background extends to edges of surface
- text fills background
- in Helvetica font
- in specified size, capitalisation and weighting
- black text on yellow background

**PACK SURFACE:**

- colour is Pantone 448C (a drab dark brown)
- matt finish

**BRAND AND VARIANT NAME:**

- horizontal and centred
- no larger than maximum sizes
- in Lucida Sans font
- in Pantone Cool Gray 2C colour
- in specified capitalisation

**FIRE RISK STATEMENT:**

- below health warning
- no larger than 10 points in size
- in upper case Lucida Sans font
- in Pantone Cool Gray 2C colour

**WARNING STATEMENT:**

- background fills area above fold line of lid – extends to edges of surface
- text fills background
- in bold upper case Helvetica font
- white text on red background

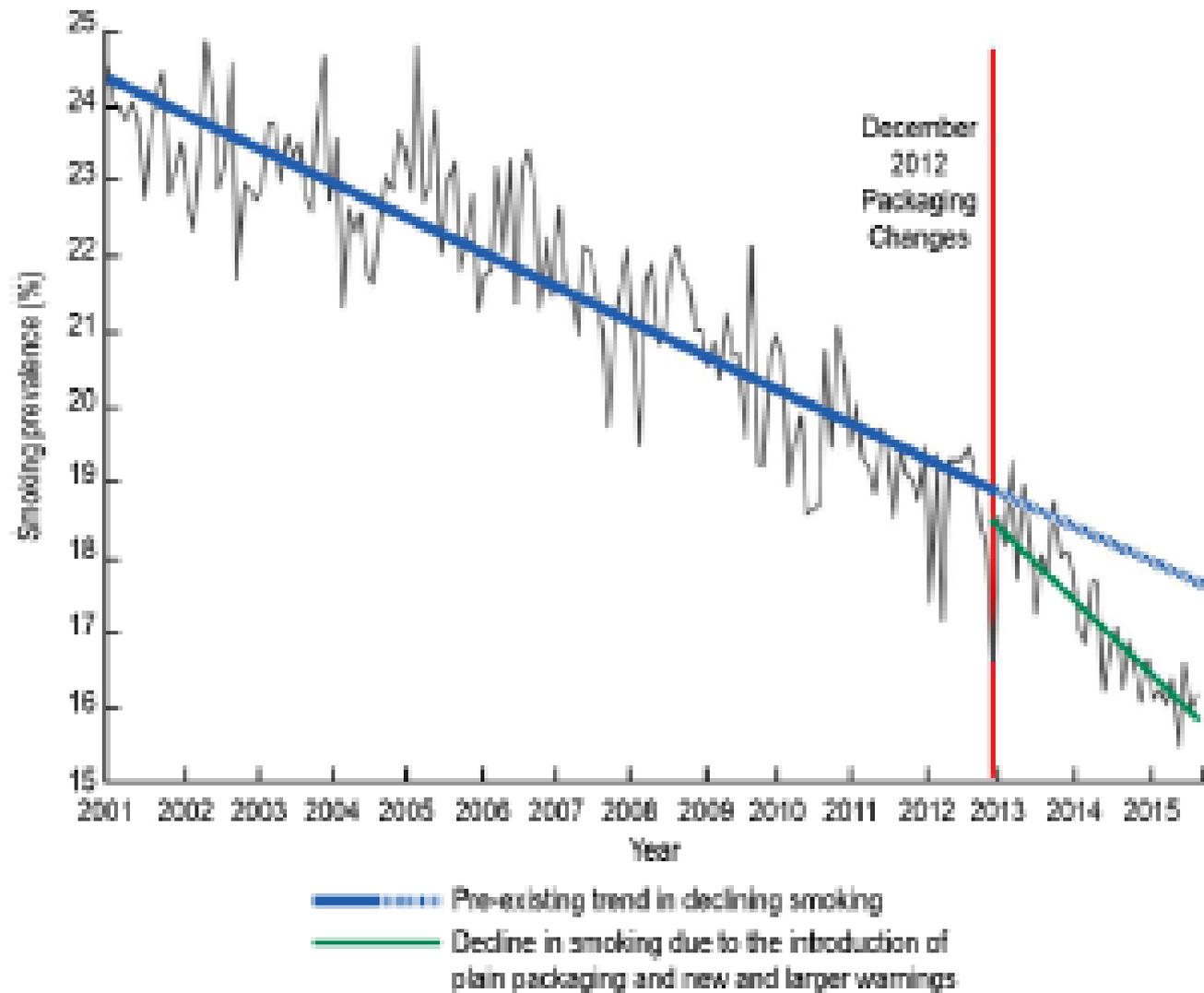
**GRAPHIC:**

- not distorted
- extends to edges of surface
- includes Outline logo

**EXPLANATORY MESSAGE:**

- background extends to edges of surface
- text fills background
- in Helvetica font
- in specified capitalisation and weighting
- white text on black background

**Figure 8.8 Overall Monthly Smoking Prevalence, Australia, January 2001–September 2015**



*Note:* The law took effect in December 2012.

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Source: Australian Government 2015.<sup>100,101</sup>

# Chapter 13. Licit Trade in Tobacco Products

5. Recent World Trade Organization decisions involving challenges to domestic tobacco control policies suggest that governments can address public health concerns associated with increased liberalization of trade in tobacco leaf and tobacco products by adopting and implementing effective tobacco control policies and programs that apply evenly to domestic and foreign tobacco growers and manufacturers.

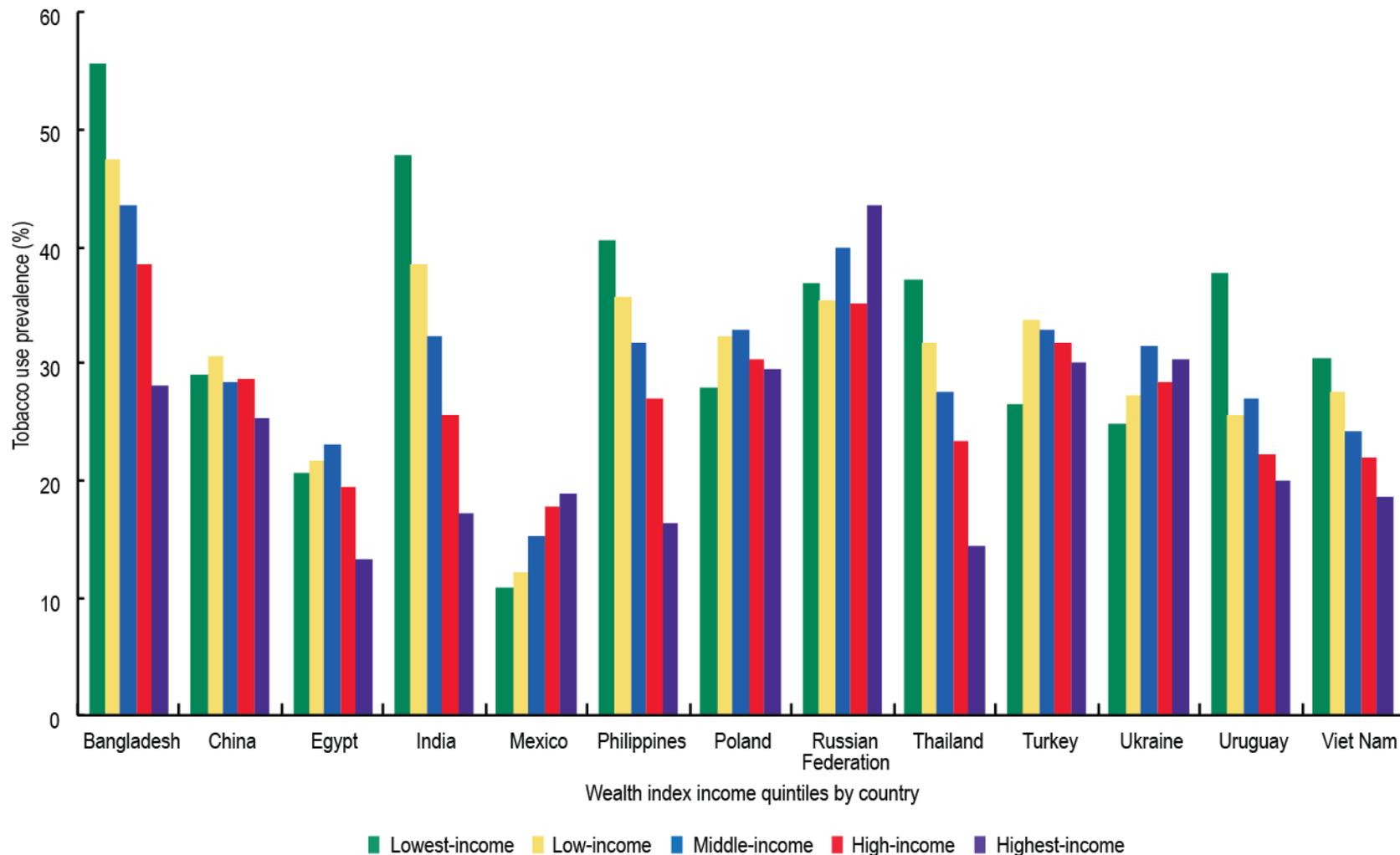
# Major Conclusions

8. Tobacco control reduces the disproportionate burden that tobacco use imposes on the poor.

# Chapter 16. The Impact of Tobacco Use and Tobacco Control Measures on Poverty and Development

1. Tobacco use and its consequences have become increasingly concentrated in low- and middle-income countries and, within most countries, among lower socioeconomic status populations.

# Figure 16.1. Prevalence of Current Tobacco Use Among Adults Age 15 and Older, by Wealth Quintile, 2008–2010



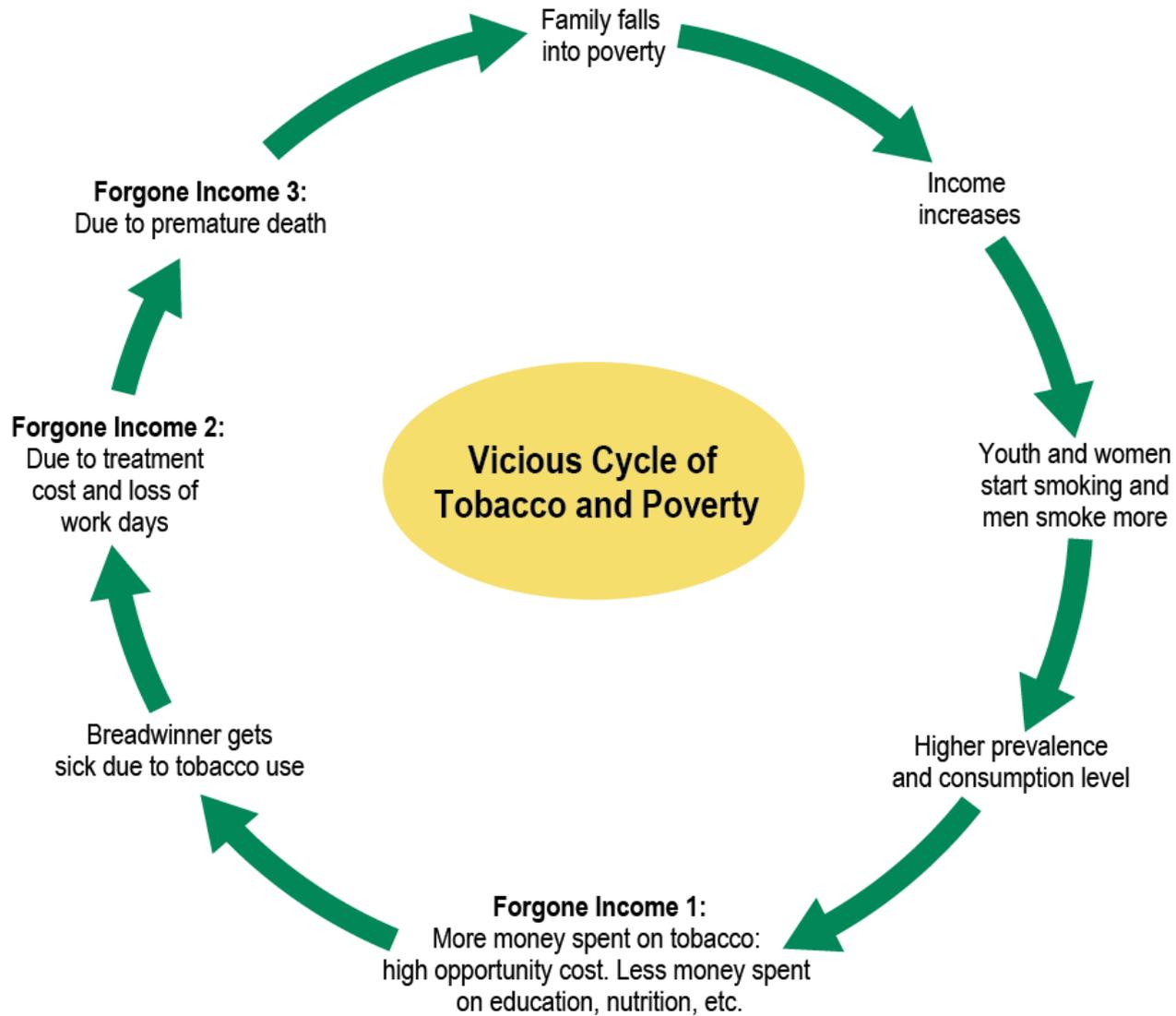
Note: Data are from the Global Adult Tobacco Survey 2008–2010.

Source: Palipudi et al. 2012

# Chapter 16. The Impact of Tobacco Use and Tobacco Control Measures on Poverty and Development

2. Tobacco use in poor households exacerbates poverty by increasing health care costs, reducing incomes, and decreasing productivity, as well as diverting limited family resources from basic needs.
3. By reducing tobacco use among the poor, tobacco control policies can help break the cyclical relationship between tobacco use and poverty.

# Figure 16.2. The Cycle of Tobacco Use and Poverty

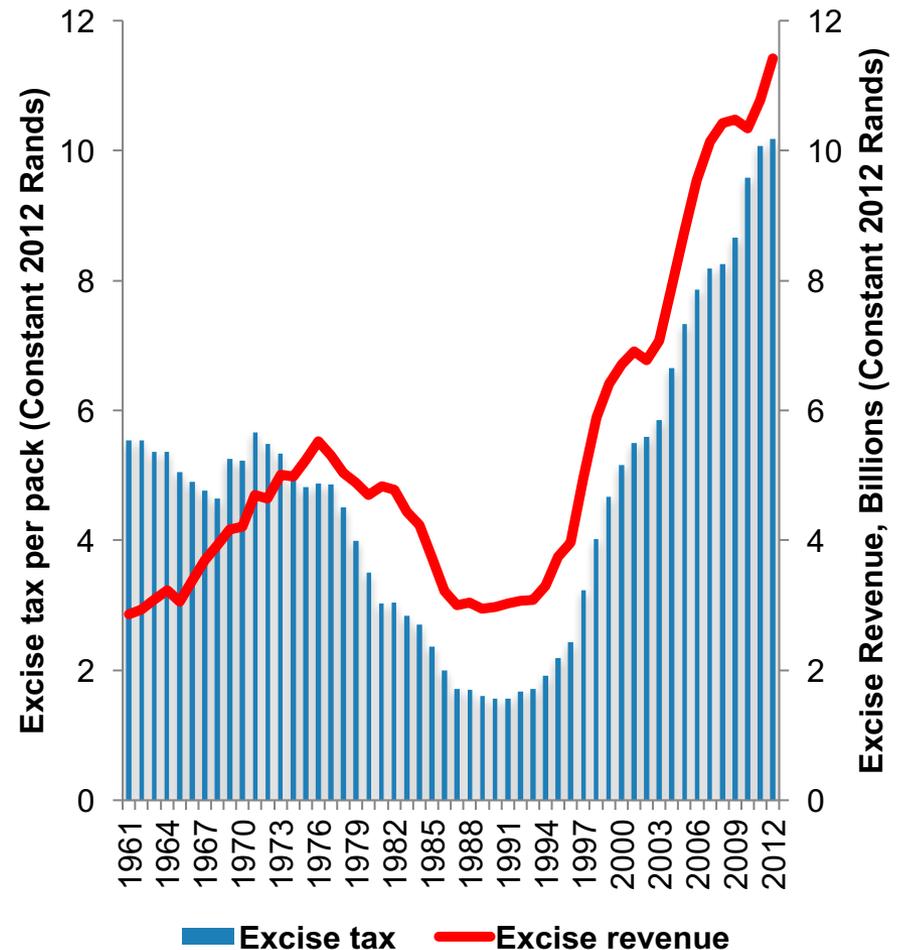


# Chapter 16. The Impact of Tobacco Use and Tobacco Control Measures on Poverty and Development

4. Tobacco control efforts that are integrated with other public health and development policies can improve the overall health of the poor and can help achieve the Sustainable Development Goals.
5. Lower income populations often respond more to tobacco tax and price increases than higher income populations. As a result, significant tobacco tax and price increases can help reduce the health disparities resulting from tobacco use.

# Tax Rates & Tax Revenues

- Governments collected around **US\$ 269 billion in tobacco excise revenues** in 2014
- an increase of about 80 cents per pack internationally would yield \$140 billion in revenue and increase cigarette prices by 42%, leading to a 9% decline in smoking.



# Major Conclusions

7. Tobacco control does not harm economies.

# Chapter 15. Employment Impact of Tobacco Control

1. The number of jobs that depend on tobacco—tobacco growing, manufacturing and distribution—is low and has been falling in most countries.
2. Adoption of new production technologies and improved production techniques, together with the shift from state to private ownership in many countries, has reduced employment in both the tobacco-farming and -manufacturing sectors.

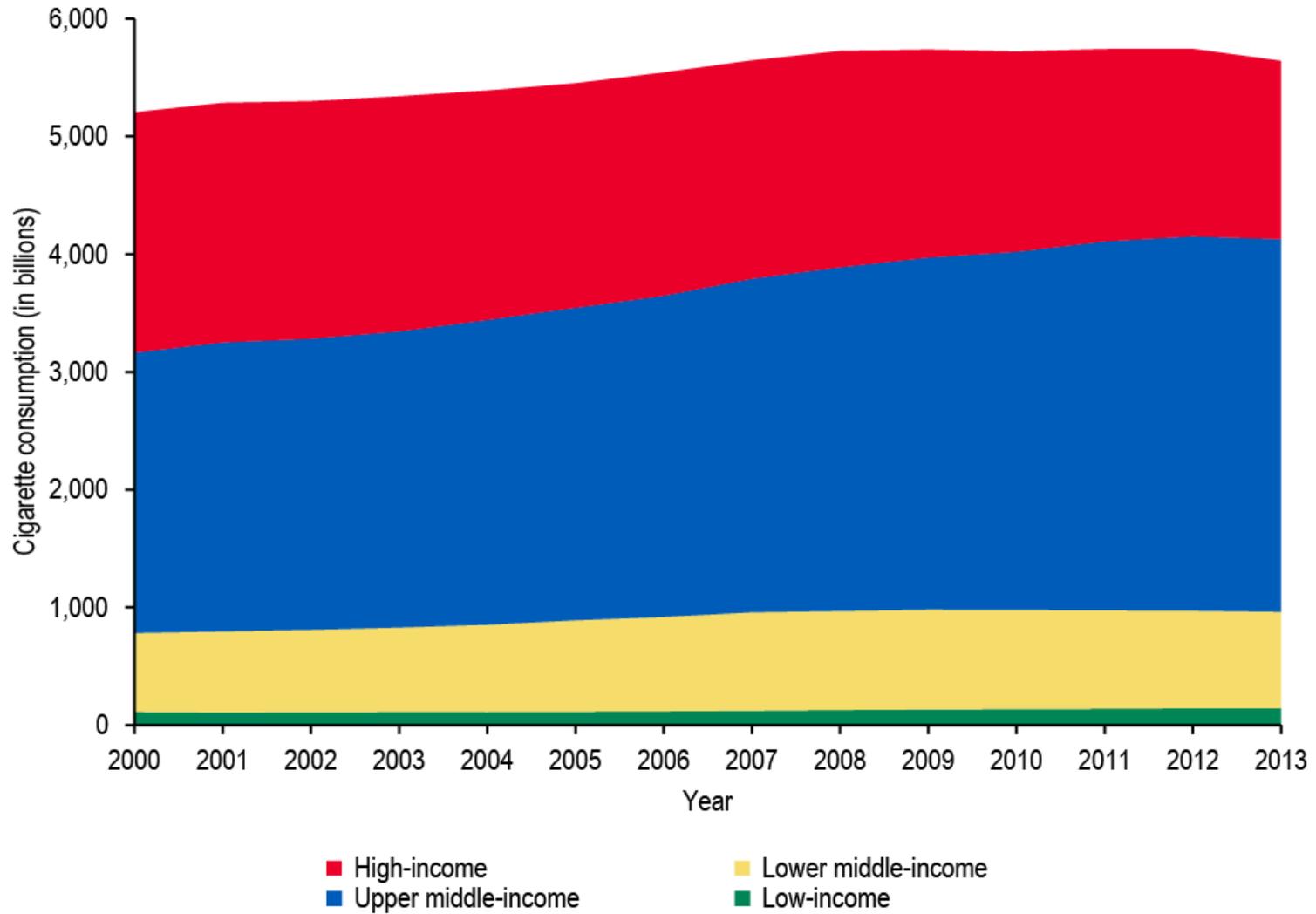
# Chapter 15. Employment Impact of Tobacco Control

3. In nearly all countries, national tobacco control policies will have either no effect or a net positive effect on overall employment because any tobacco-related job losses will be offset by job gains in other sectors.
4. In the few countries that depend heavily on tobacco leaf exports, global tobacco control policies could lead to job losses, but these losses are expected to be small, gradual, and unlikely to affect the current generation of tobacco farmers in these countries.

# Major Conclusions

9. Progress is now being made in controlling the global tobacco epidemic, but concerted efforts will be required to ensure that progress is maintained or accelerated.

**Figure 2.10. Global Consumption of Cigarette Sticks (in Billions), by Country Income Group, 2000–2013**



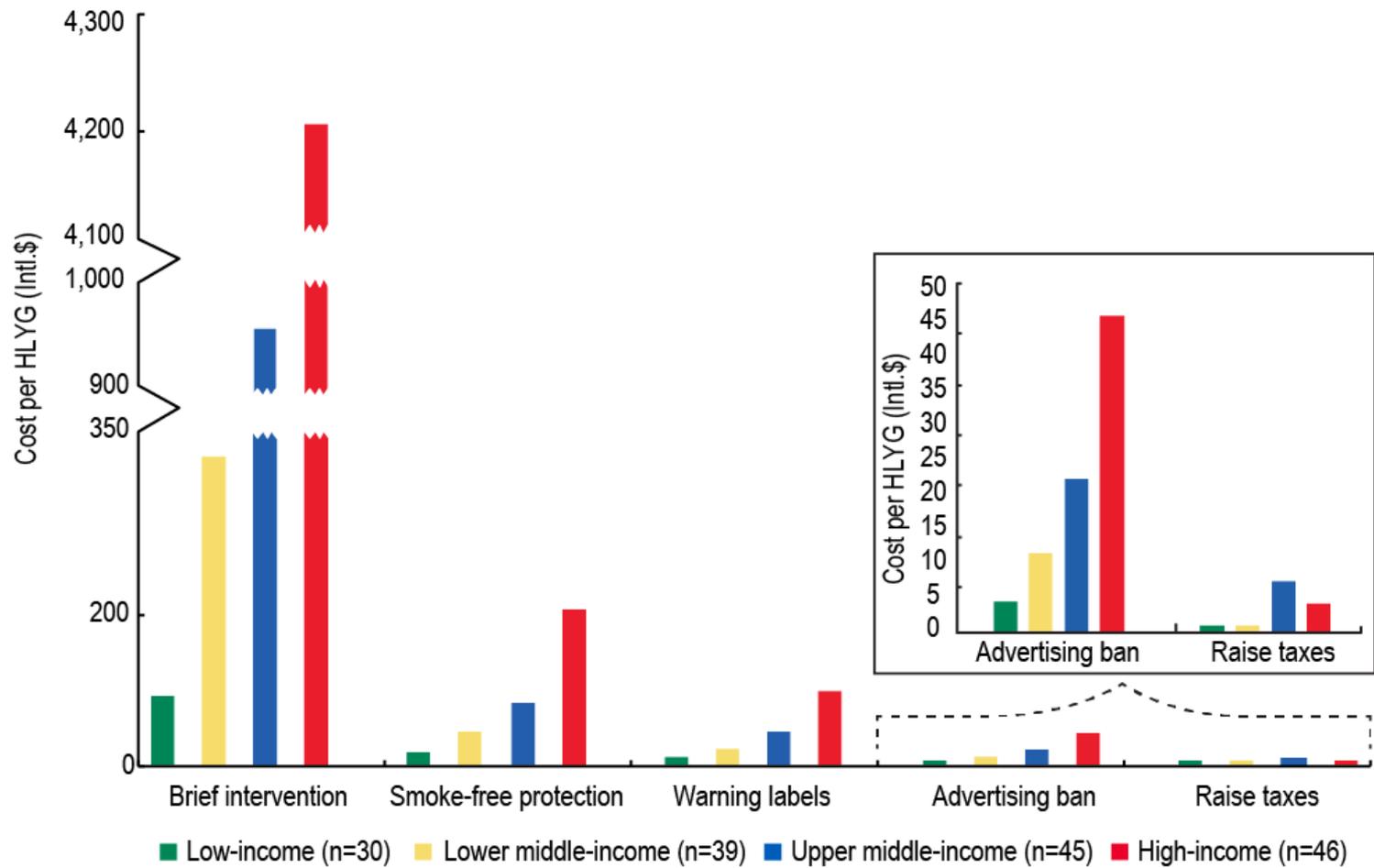
Note: Country income group classification based on World Bank Analytical Classifications for 2013.

Source: Euromonitor International 2016

# Major Conclusions

4. Policies and programs that work to reduce the demand for tobacco products are highly cost-effective.

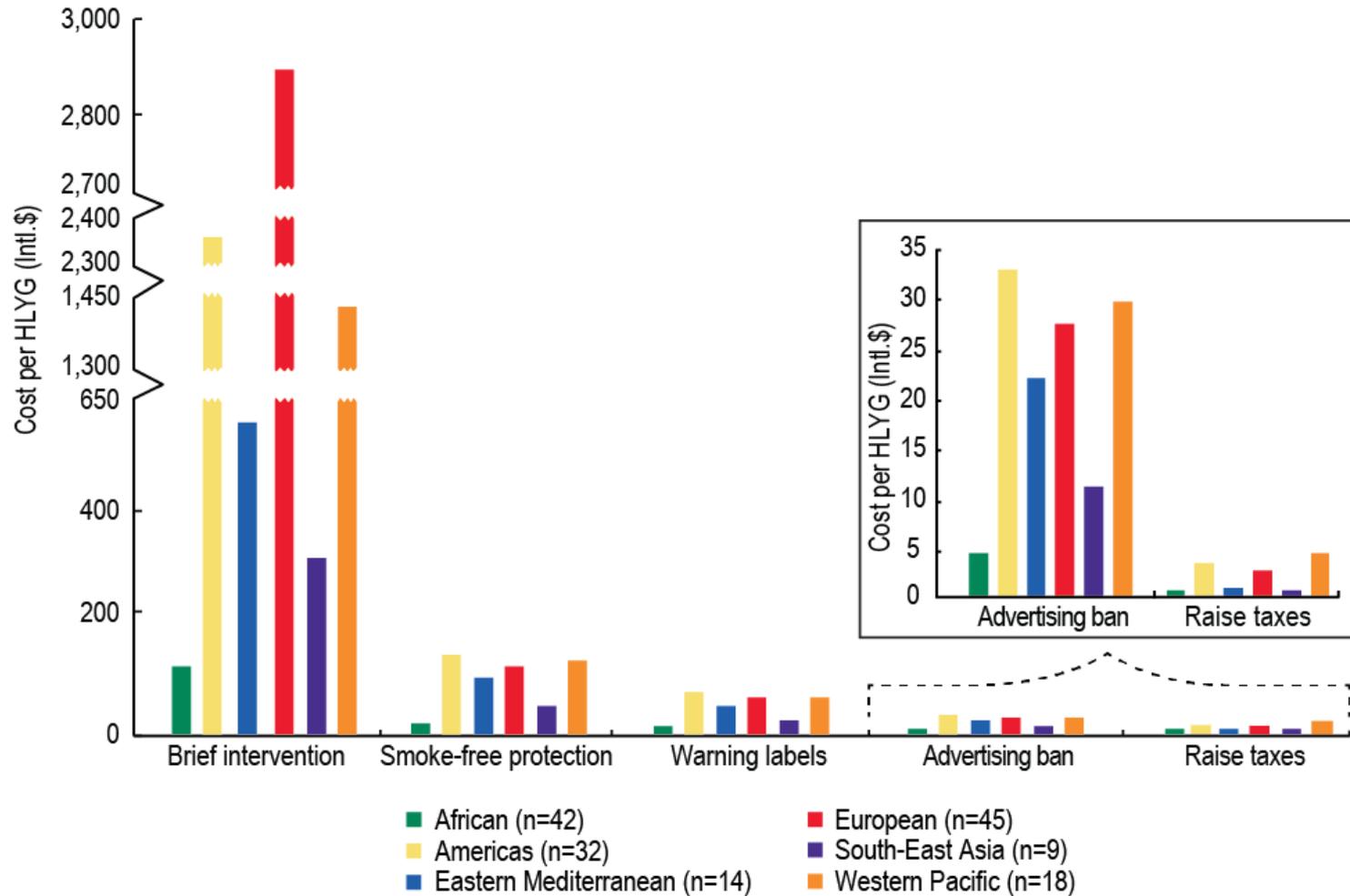
# Figure 17.2. Tobacco Control Policies and Cost Per Healthy Life-Year Gained, by Country Income Group



Notes: HLYG = healthy life-year gained. Country income group classification based on World Bank Analytical Classifications for 2014.

Source: Based on calculations from World Health Organization CHOICE model, 2016.

# Figure 17.3. Tobacco Control Policies and Cost Per Healthy Life-Year Gained, by WHO Region



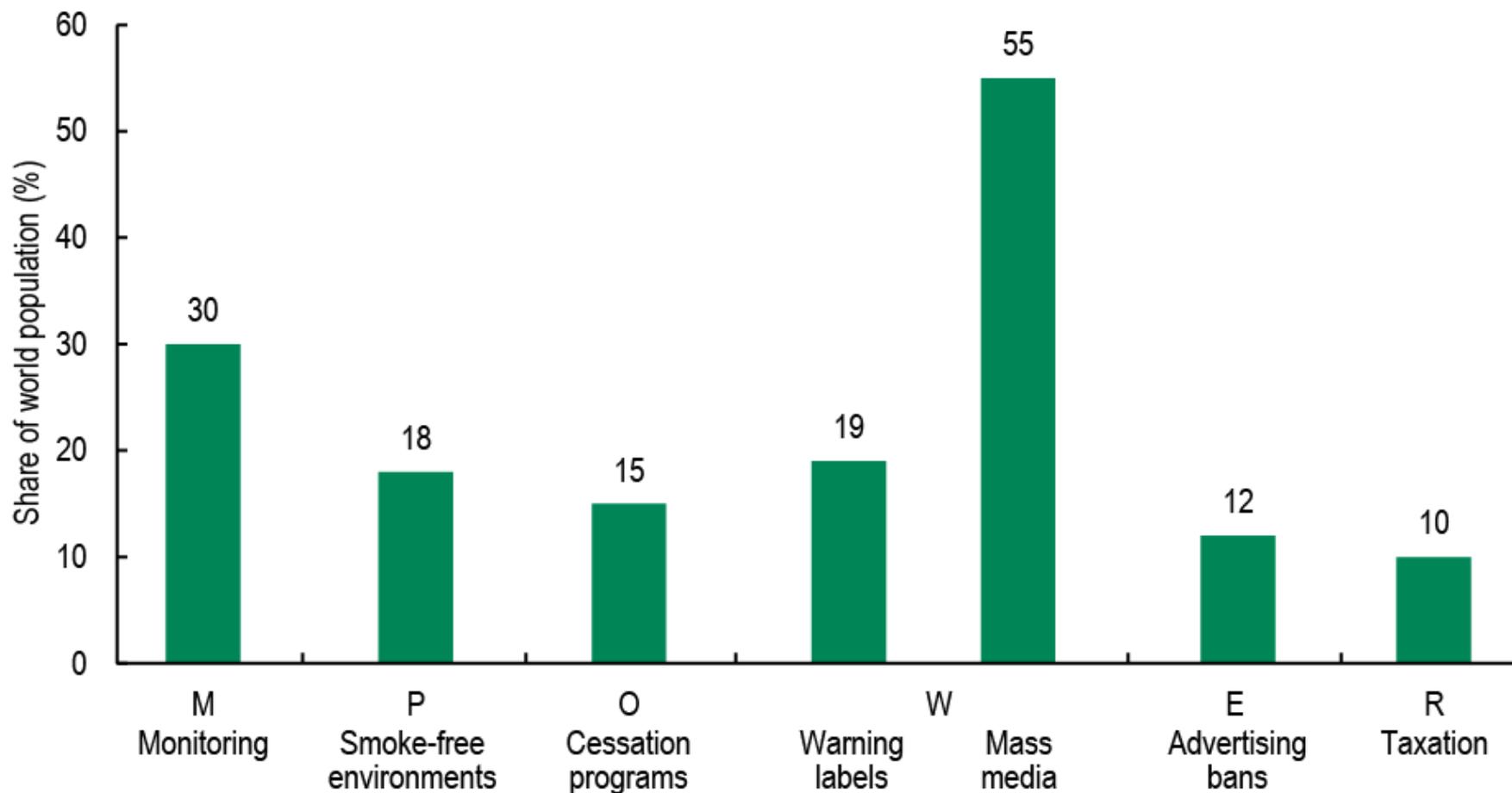
Note: HLYG = healthy life-year gained.

Source: Based on calculations from World Health Organization CHOICE model, 2016.

# Major Conclusions

3. Effective policy and programmatic interventions are available to reduce the demand for tobacco products and the death, disease, and economic costs that result from their use, but these interventions are underutilized.

# Figure 17.1. Share of the World Population Covered by Selected Tobacco Control Policies, 2014

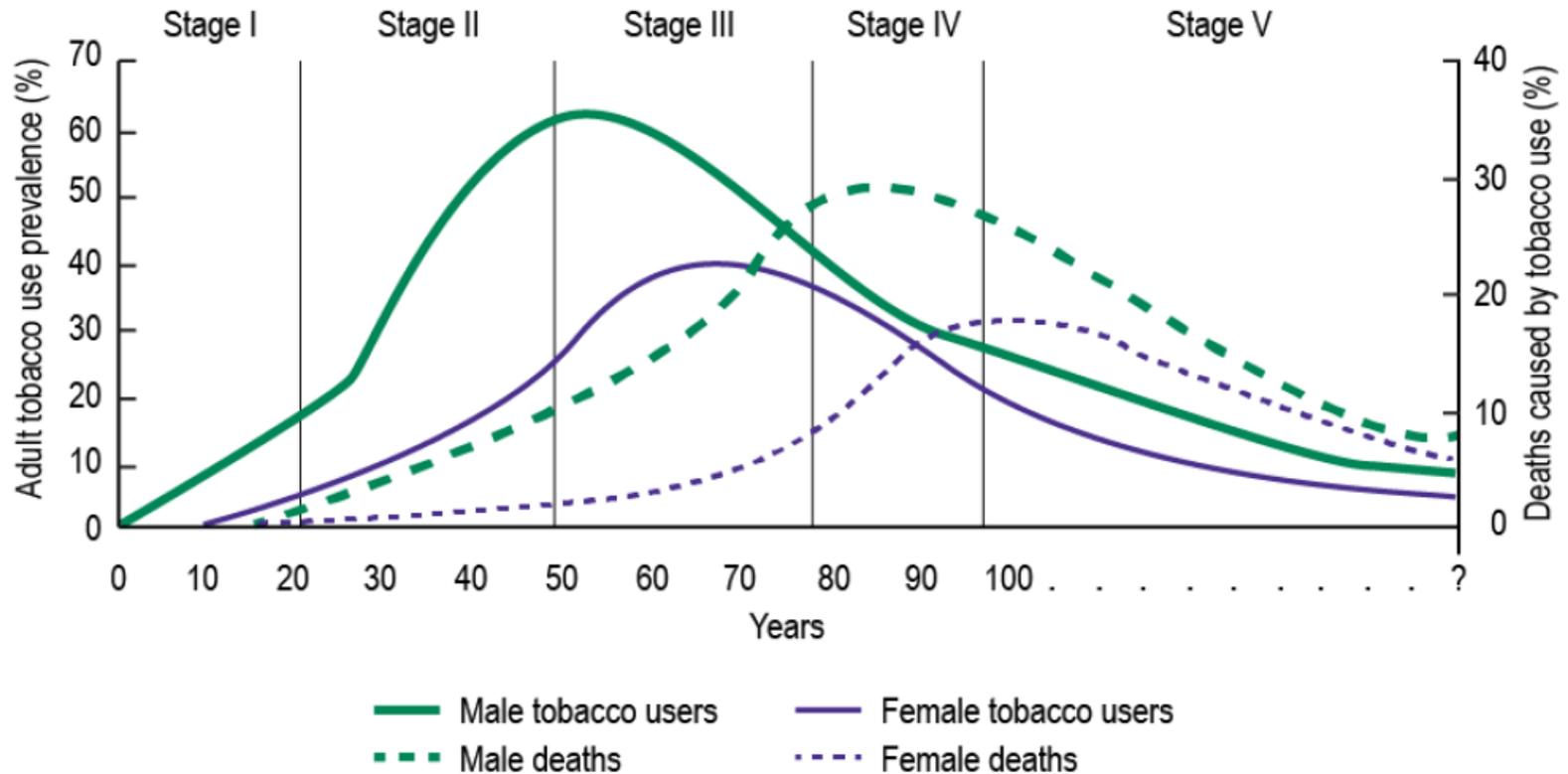


Note: The tobacco control policies depicted here correspond to the highest level of achievement at the national level. For the definitions of these highest categories, refer to the *WHO Report on the Global Tobacco Epidemic, 2015: Raising Taxes on Tobacco*.

Source: World Health Organization 2015

# “The science is clear; the time for action is now.”

Figure 17.4 A New Model of the Tobacco Epidemic



Source: Adapted from Lopez et al. 1994.<sup>61</sup>  
 Adapted with permission from BMJ Publishing Group Ltd., from “A descriptive model of the cigarette epidemic in developed countries,” Lopez A, Collishaw N, Piha T, volume 3(3), p. 246.



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