The Economic Impact of Tobacco Control
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
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

- China National Tobacco Corporation, 44.2%
- Philip Morris International and Altria, 16.7%
- British American Tobacco, 10.4%
- Japan Tobacco International, 8.9%
- Imperial Brands PLC, 4.8%
- Other, 15.0%

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
- join will be between

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

CIGARETTE PACK – BACK

PACK FORMAT:
- made of rigid cardboard
- no embellishments
- flip top lid

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

SMOKING CAUSES PERIPHERAL VASCULAR DISEASE

SAFETY |

Pack format:
- made of rigid cardboard
- no embellishments
- flip top lid

INFORMATION MESSAGE:
- background extends to edges of surface
- text fills background
- in specified size, capitalisation and weighting
- black text on yellow background

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

WARNING STATEMENT:
- background extends to edges of surface
- text fills background
- in specified size, capitalisation and weighting
- white text on black background

GRAPHIC:
- not distorted
- extends to edges of surface
- includes Quilting logo

EXPLANATORY MESSAGE:
- background extends to edges of surface
- text fills background
- in specified capitalisation and weighting
- white text on red 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

FIGURE 8.7 (continued)
**Figure 8.8** Overall Monthly Smoking Prevalence, Australia, January 2001–September 2015

- **Pre-existing trend in declining smoking**
- **Decline in smoking due to the introduction of plain packaging and new and larger warnings**

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

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Source: Australian Government 2016.168,170

[Graph showing declining smoking prevalence from 2001 to 2015, with a significant decrease starting in 2012 due to the introduction of plain packaging and new warnings.]
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.
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
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

- **Forgone Income 1:** More money spent on tobacco; high opportunity cost. Less money spent on education, nutrition, etc.
- **Forgone Income 2:** Due to treatment cost and loss of work days
- **Forgone Income 3:** Due to premature death
- Breadwinner gets sick due to tobacco use
- **Income increases**
- Youth and women start smoking and men smoke more
- Higher prevalence and consumption level
- Family falls into poverty

**Vicious Cycle of Tobacco 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.
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.
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


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

The Economics of Tobacco and Tobacco Control

IN COLLABORATION WITH
WORLD HEALTH ORGANIZATION

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