

Economic Research on Tobacco in Southeast Asia

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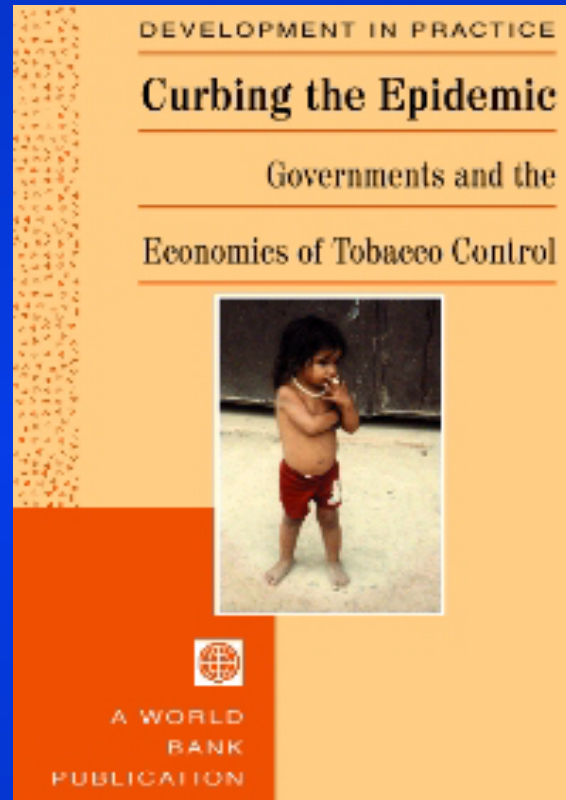
Why this research?

Economic arguments around tobacco control are unclear and often debated

- In 1996, an Asian Health Minister stated “cigarette producers are making large contributions to our economy... we have to think about workers and tobacco farmers”
- In 1997, *The Economist* commented “most smokers (two-thirds or more) do not die of smoking-related disease. They gamble and win. Moreover, the years lost to smoking come from the end of life, when people are most likely to die of something else anyway”

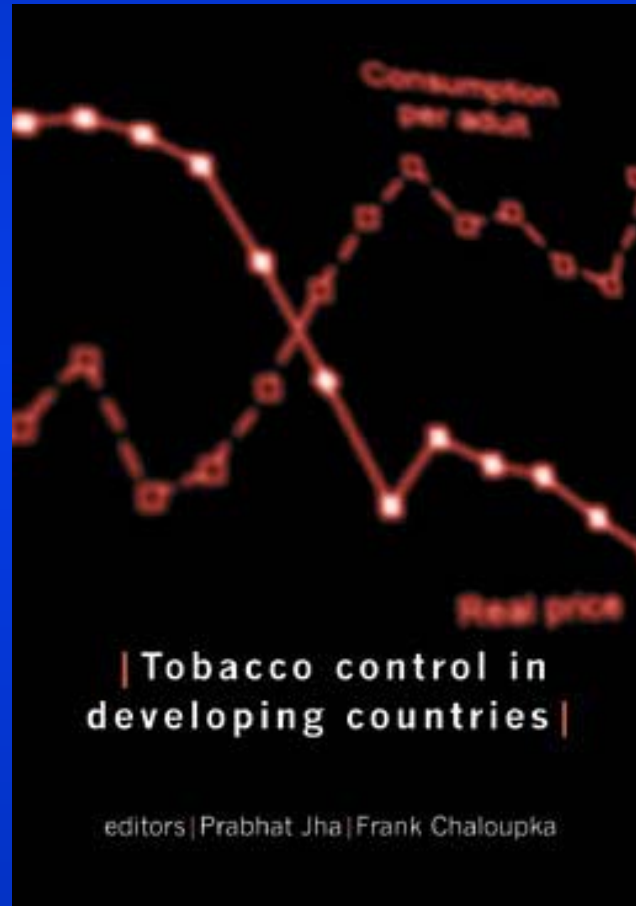
Curbing the Epidemic

Governments and the Economics of Tobacco Control



The World Bank

Tobacco Control in Developing Countries



The World Bank

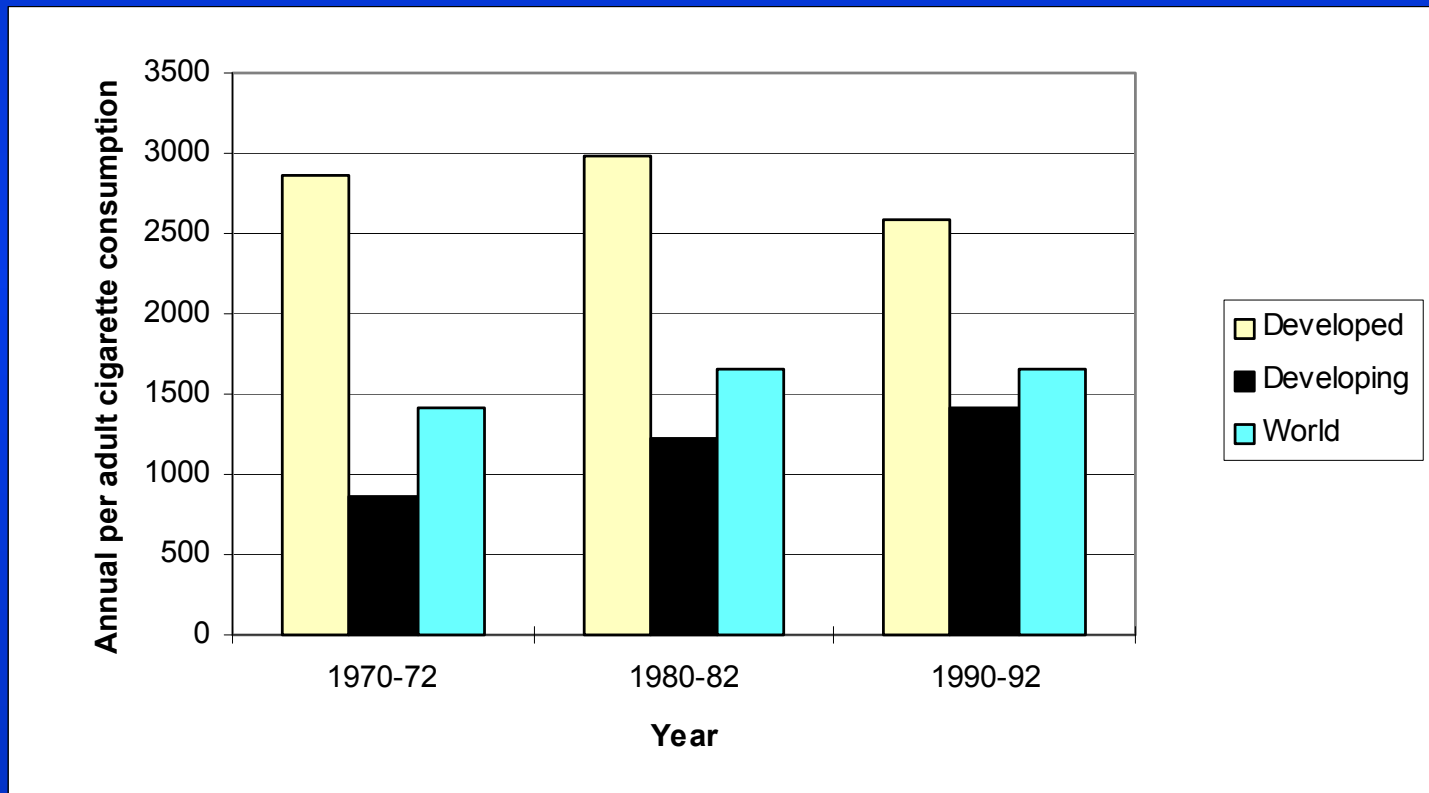


World Health Organization

Outline of Books

- Tobacco use and its consequences
- Analytics of tobacco use
- Demand for tobacco
- Supply of tobacco
- Policy directions

Per capita cigarette consumption has increased in developing countries



Source: WHO 1997

Large and growing number of deaths from smoking

Past and future tobacco deaths (in millions)

<u>Time</u>	<u>Millions of deaths</u>
1901-2000	100 (mostly in developed countries)
2001-2100	1,000 (mostly in developing countries)

- ◆ **500 M among people alive today**
- ◆ *1 in 2 of long-term smokers killed by their addiction*
- ◆ *1/2 of deaths in middle age (35-69)*

Why should governments intervene?

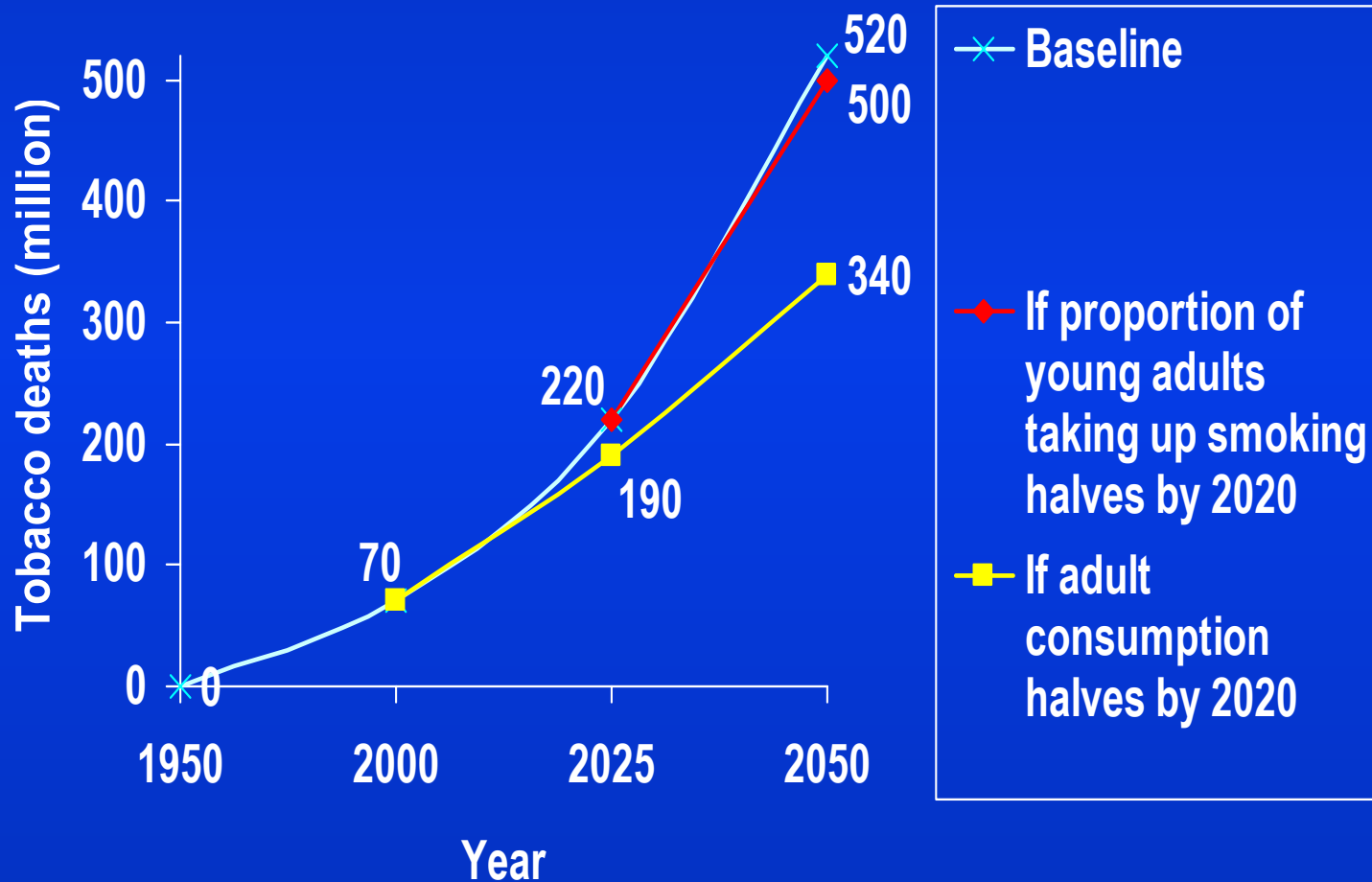
Economic rationale or “market failures”

- **Smokers do not know their risks**
- **Addiction and youth onset of smoking**
 - ◆ Lack of information and unwillingness to act on information
 - ◆ Regret habit later, but many addicted
- **Costs imposed on others**
 - ◆ Costs of environmental tobacco smoke and health costs

Government roles in intervening

- To deter children from smoking
 - To protect non-smokers from others' smoke
 - To provide adults with necessary information to make an informed choice
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- ◆ ***First-best instrument, such as youth restrictions, are usually ineffective. Thus, tax increases are justified, and are effective.***
 - ◆ ***Tax increases are blunt instruments.***

Unless current smokers quit, smoking deaths will rise dramatically over the next 50 years



Source: Peto and Lopez, 2000

Which interventions are effective?

Measures to reduce demand

- Higher cigarette taxes
- Non-price measures: consumer information, research, cigarette advertising and promotion bans, warning labels and restrictions on public smoking
- Increased access to nicotine replacement (NRT) and other cessation therapies

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)	
	Price increases	Non-price measures	Price increases	Non-price measures
Low/Middle Income	-38	-19	-9	-4
High Income	-4	-4	-1	-1
World	-42	-23	-10	-5

Source: Ranson *et al.*, 2000

Which interventions are ineffective at reducing consumption?

Most measures to reduce supply

- Prohibition
- Youth access restrictions
- Crop substitution
- Trade restrictions
- *Control of smuggling is the only exception and it is the key supply-side measure*

Source: Jacobs *et al.*, 2000; Woolery *et al.*, 2000; Taylor *et al.*, 2000

What are the costs of tobacco control?

- **Revenue loss**: likely to have revenue gains
 - ◆ a 10% tax increase would raise revenue by 7%
- **Job loss**: temporary, minimal, and gradual
- **Possible smuggling**: crack down on criminal activity, not lower taxes
- **Cost to individuals, especially the poor**: partially offset by lower consumption

How cost-effective are tobacco control measures?

US dollars per healthy year life gained

<i>Region</i>	<i>Price increases of 10%</i>	<i>Non-price measures with effectiveness of 5%</i>	<i>NRT (publicly provided) with 25% coverage</i>
Low / middle income	4 to 34	68 to 272	276 to 297
High Income	165 to 1,370	1,347 to 5,388	746 to 1,160

Note: 3% discount rate, costs for non-price measures and all benefits projected over 30 years

Source: *Ranson et al.*, 2000

Summary

- Tobacco deaths worldwide are large and growing, and have higher burdens among the poor
- Specific market failures support government intervention
- Demand measures, chiefly tax increases, information, and regulation are most effective to reduce consumption
- Control of smuggling is the major supply-side intervention
- Tobacco control is cost-effective

Key recommendations

- **Governments:** adopt multi-pronged strategy, tailored to each country
 - ◆ cigarette tax increases: 2/3 to 4/5 of retail price
 - ◆ consumer information, research, advertising and promotion bans, warning labels and restrictions on public smoking
 - ◆ widen access to NRT and other cessation therapies
- **International agencies:** review policies, sponsor research, address cross-border issues and support the FCTC

Economic Research on Tobacco in Southeast Asia Project

■ Aims:

- ◆ to develop a research and technical assistance program to support country-level and regional studies on the economics of tobacco and tobacco control in Southeast Asia
- ◆ Builds on ongoing work with the World Bank and World Health Organization

Research Activities

- The demand for tobacco products
 - ◆ Estimating the price elasticity of demand
 - ◆ Estimating the impact of tobacco control policies on cigarette smoking and other tobacco use
- Issues in the globalization of the tobacco industry
 - ◆ Assessing the impact of trade liberalization
 - ◆ Estimating the effects of privatization
- Smuggling of tobacco products

Research Activities

- The Costs of Tobacco Use and Tobacco Control
 - ◆ Estimating the health care and social costs of tobacco use
 - ◆ Estimating the macroeconomic impact of tobacco use and tobacco control activities
- Impact of Tobacco on the Poor
 - ◆ Estimating the impact of tobacco use on household expenditures
 - ◆ Assessing the equity of tobacco use and tobacco control efforts

Key Tools

- “Toolkit on the Economics of Tobacco”
 - ◆ A step-by-step manual for conducting economic analyses of issues related to tobacco use and tobacco control
 - ◆ Several tools already under development with World Bank
 - ◆ Additional tools to be developed based on country/regional priorities

Key Tools

- Web Site and CD-ROM
 - ◆ Tobacco Economics Toolkit
 - ◆ Key background papers and annotated bibliography
 - ◆ Model country-level and regional analyses
 - ◆ Links to on-line data sources and other relevant web sites
 - ◆ Highly interactive

Key Tools

- Network of Economists and other Policy Researchers
 - ◆ Tobacco Control Evidence Network (TCEN)
 - ◆ Experts available for consultation via e-mail and telephone
 - ◆ Peer-review process for manuscripts and research proposals

Key Tools

- Electronic “Listserv”
- Research Paper Series
- Seed Grant Program
- Support for Regional Center for Technical Assistance
- Planning of and participation in initial workshop and additional meetings

Key Participants

- Frank Chaloupka, Project Director
- Christina Czart, Project Coordinator
- Network/Workshop Participants:
 - ◆ Kenneth E. Warner, Teh-wei Hu, Iraj Abedian, David Meriman, Corne van Walbeek, Prabhat Jha, Joy DeBeyer, Ayda Yurekli, Hana Ross, and others