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World Health Organization Press Office

## FACT SHEET

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**Fact Sheet N° 155**  
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### **TOBACCO EPIDEMIC: MUCH MORE THAN A HEALTH ISSUE**

**Tobacco Use Is a Major Drain On the World's Financial Resources**

■ The current tobacco epidemic of unprecedented proportion is obviously a public health problem. Yet, it is a complex issue which goes beyond the public health domain. **Tobacco use is a major drain on the world's financial resources**, and has been labelled a major threat to sustainable and equitable development.

\* Tobacco products cause a loss to the world economy that is so large that even a conservative estimate ranks it as an amount exceeding total current health expenditures in all developing countries combined. A World Bank study entitled "The Economic Costs and Benefits of Investing in Tobacco" (March 1993) has estimated that the use of tobacco results in a global net loss of **US\$200 billion per year**, with half of these losses occurring in developing countries.

\* There are other costs resulting from the use of tobacco. Some of them are hard or impossible to quantify -- for example, reduced quality of life of smokers and their families, for example.

■ The same World Bank study also estimated that **smoking prevention is among the most cost-effective of all health interventions**. Such measures are thus important components of a country's economic health. For example,

\* In a developing country with a per capita gross domestic product of US\$2000, effective smoking prevention costs approximately US\$20 to US\$40 per year of life gained.

\* On the other hand, lung cancer treatment, which can prolong the lives of only about 10% of affected people, would cost US\$18000 per year of life gained.



■ **Sound fiscal and economic measures can protect the public health while maximizing government revenues and reducing health costs:** In the absence of effective government intervention, the tobacco industry will continue to aggressively market its products, and consequently tobacco use can be expected to increase with time. This is especially true in developing countries. However, successes in reducing consumption have been achieved when tobacco control programmes, which are truly comprehensive, have been implemented. In particular, economic measures, such as increased taxes on tobacco, have resulted in most impressive victories in public health campaigns to reduce smoking.

\* Studies in many countries have shown that for every 10% increase in the real "inflation adjusted" price, there will be a 2% to 8% drop in tobacco consumption.

\* Additional research suggests that teenagers are particularly affected by price, with a 10% increase in price reducing their consumption by more than 10%, and deterring many from ever starting to smoke. This is particularly important, because if people reach their 20s without becoming smokers, it is very unlikely that they will ever smoke.

\* Higher tobacco taxes, complemented with sound implementation measures to discourage tobacco use, yield higher revenues and reduce tobacco consumption.

\* Some countries have earmarked part of tobacco tax revenues to encourage people to stop smoking, or to sponsor sports, arts and other events.

■ **The Smuggling Issue:** Concerns have been expressed that higher tobacco taxes will lead to smuggling.

\* Tobacco interests use the smuggling issue to urge governments to reduce or not increase taxes. At the same time, tobacco companies benefit greatly from the illegal trade in cigarettes. First, they gain their normal profit by legally selling these cigarettes duty-free to distributors. These cigarettes make their way into the illegal market, and, since taxes have not been paid on these cigarettes, they can be sold at reduced prices, stimulating demand for these international brands.

\* Governments are not powerless against smuggling. There are a range of measures that can be taken against smugglers and those who seek to supply them. For example, many countries are moving towards the use of prominently displayed "tax paid" markings on all tobacco products, in order to distinguish between legal and illegal goods. The contraband products become easier to detect and therefore the laws easier to enforce. WHO is also working with a number of governments in the development of an international framework convention on tobacco, which will address such issues as smuggling.

- In most countries, tobacco production has a negative effect on national economy:
  - \* In a number of countries, government programmes subsidize tobacco production, Yet, in many instances, tobacco subsidies do not even make economic sense. For example, studies have shown that considerable savings would be generated if tobacco farmers in the countries of the European Union were paid an amount equal to their net income and required not to grow tobacco.
  - \* The enormous profits from tobacco go mostly to transnational tobacco companies, and only a small amount goes to the developing countries. The majority of tobacco farmers receive only a small percentage of the profits that tobacco generates.
  - \* Particularly in developing countries, tobacco cultivation may have an adverse effect on food production and nutrition, while large amounts of firewood, needed for fuel and heating, are often used for tobacco curing.
  - \* Tobacco creates a net loss to the balance of trade in the majority of developing countries. These countries should be wary of authorising the use of scarce foreign exchange reserves for the purchase of tobacco machinery, tobacco leaf and other tobacco manufacturing inputs. Reduced demand in the United States, the European Union, and the Nordic countries will decrease the amount of foreign currency earned by developing countries that export tobacco. This loss of hard currency, combined with increased imports of foreign cigarettes will impose additional burdens on the economies of countries already struggling with serious balance of payment problems.
  - \* Efforts to slow the spread of tobacco-caused diseases sometimes run up against arguments about those who make a living from growing tobacco. However, even the most comprehensive tobacco control policies will result only in very slow declines in tobacco demand, leaving plenty of time for economic adjustment in the agricultural sector. By devoting sufficient resources towards developing economic alternatives to tobacco, national government are likely to discover that tobacco agricultural and industrial workers are more likely to support comprehensive tobacco control strategies.

***The current tobacco epidemic is much more than a health issue. Ministries of Health alone are not in a position to curb it. Thousands of lives can be spared only through comprehensive concerted actions at the national and international levels.***

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