

TOBACCO INCREASES THE POVERTY OF COUNTRIES

Tobacco not only impoverishes those who use it, it puts an enormous financial burden on countries. The costs of tobacco use at the national level encompass increased health-care costs, lost productivity due to illness and early death, foreign exchange losses, and environmental damage. The tobacco industry's desperate attempts to stave off sensible regulation have included overstating the employment and trade benefits of tobacco to developing countries and raising the spectre of massive job losses if governments move to protect public health. Yet according to the World Bank, these arguments and the data on which they are based greatly misrepresent the effects of tobacco control policies.

Increased health-care costs & productivity losses

- ◆ Countries suffer huge economic losses due to high health-care costs and lost productivity as a result of tobacco-related illnesses and premature deaths. In high-income countries, the overall annual cost of health care attributed to tobacco use has been estimated at between 6% and 15% of total health-care costs.¹
- ◆ Between 1995 and 1999 in the United States of America, tobacco use accounted for 440 000 premature deaths annually and approximately US\$ 157 billion in annual health-related economic losses: US\$ 81.9 billion in mortality-related productivity losses and US\$ 75.5 billion in excess medical expenditures.²
- ◆ In China, where tobacco use is increasing, one study from the mid-1990s estimated the direct and indirect health costs of smoking at US\$ 6.5 billion per year.³ In 1998, an estimated 514 100 people in China died prematurely from smoking-related illnesses, resulting in a productivity loss of 1 146 million persons years.⁴
- ◆ In Egypt, the direct annual cost of treating diseases caused by tobacco use is estimated at US\$ 545.5 million.⁵
- ◆ If current trends persist, about 650 million people alive today will eventually be killed by tobacco⁶, half of them in productive middle age, each losing 20 to 25 years of life.⁷

Falling prices & foreign exchange losses

- ◆ The massive increase in tobacco cultivation fuelled by the global expansion of the tobacco industry has resulted in a worldwide oversupply of tobacco and a corresponding decline in prices. This trend accelerated between 1985 and 2000, when the real price per tonne fell 37%.⁸
- ◆ Many countries are net importers of tobacco leaf and tobacco products, and lose millions of dollars each year in foreign exchange as a result. In 2002, two thirds of 161 countries surveyed imported more tobacco leaf and tobacco products than they exported. There were 19 countries that had a negative balance of trade in tobacco products of over US\$ 100 million or more, including Cambodia, Malaysia, Nigeria, the Republic of Korea, Romania, the Russian Federation and Viet Nam.⁹
- ◆ Only 17 out of 125 countries that export tobacco leaf derive more than 1% of their total export earnings from tobacco and in only five of those (the Central African Republic, Malawi, Uganda, the United Republic of Tanzania and Zimbabwe) do tobacco leaf exports account for more than 5% of total export earnings.¹⁰

- ◆ The only two countries worldwide that are significantly dependent on raw tobacco for their export earnings are: Malawi, with 63% of export earnings and Zimbabwe, with 16%.¹¹

Illicit trade

Over one quarter of exported cigarettes disappear into the illegal market. Cigarette smuggling reduces the average price that consumers pay for cigarettes thus increasing consumption. Worldwide, governments lose tens of billions of dollars in tax revenues every year from cigarette smuggling.¹² That the tobacco industry has been complicit in this illegal trade is suggested by recent court cases brought by Canada, the European Union and others, as well as the tobacco industry's own internal files.¹³

Employment¹⁴

- ◆ When people quit or smoke less, money previously spent on tobacco does not disappear—rather, it is spent on other goods and services, generating demand and new jobs across the economy.
- ◆ Countries that import substantial amounts of tobacco and cigarettes would especially benefit from falling cigarette consumption, since spending could switch to goods and services produced domestically. Bangladesh, for example, which imports nearly all of its cigarettes, would benefit tremendously if cigarette consumption fell.
- ◆ In all but a very few countries heavily dependent on tobacco farming, there would be no net loss of jobs, and there might even be job gains, if global tobacco consumption fell. The net change in jobs would depend on whether the new pattern of spending were on goods and services produced in more or less labour-intensive ways than cigarettes.
- ◆ The manufacturing side of the tobacco industry is only a small source of jobs, as it is usually highly mechanized. In most countries tobacco manufacturing jobs account for well below 1% of total manufacturing employment. And, with the exception of a few heavily dependent countries, tobacco farming in most countries makes up a tiny proportion of employment in the agricultural sector:
 - ◆ *In China, the largest tobacco producer in the world, only about 3% of farmers grow any tobacco at all, and tobacco constitutes only about 1% of the value of all agricultural output.*¹⁵
 - ◆ *In Brazil, another major producer, tobacco only accounts for about 1.9% of the total agricultural labour force and 0.44% of the total labour force.*¹⁶
- ◆ Current projections show that the number of smokers worldwide will increase from the current 1.3 billion to more than 1.7 billion in 2025 (due in part to an increase in the global population) if the global prevalence of tobacco use (percentage of people who use tobacco) remains unchanged. Even assuming a decrease of overall prevalence at an annual rate of 1%, the number of consumers is expected to increase to 1.46 billion in 2025.¹⁷ While future declines in consumption will clearly reduce the number of tobacco-related jobs, those jobs will be lost over decades, not overnight.

Myth and truth about tobacco employment

The tobacco industry constantly exaggerates both the number of people employed in tobacco farming and manufacturing, and the likely impact of reduced tobacco consumption on employment. The tobacco industry claims that it employs 33 million people, but this number includes farmers who grow other crops in addition to tobacco, seasonal labourers, family members and other part-time workers. The World Bank suggests that a more meaningful measure would be to use Full Time Equivalents (FTE), which would yield a number much smaller than the industry's estimates.¹⁸

It has also been estimated that job losses resulting from technology changes in the tobacco industry far outstrip any job losses that might result from tobacco control policies.¹⁹

Deforestation & other environmental damage

- ◆ Tobacco cultivation has contributed to an environmental crisis in a number of countries. In many developing countries wood is used as fuel to cure tobacco leaves and to construct curing barns. An estimated 200 000 hectares of forests and woodlands are cut down each year because of tobacco farming.²⁰
- ◆ In the Southern Africa region as a whole, more than 1400 square kilometres of indigenous woodlands disappear annually to supply fuel wood for tobacco curing, accounting for 12% of the overall annual deforestation in the region, excluding other tobacco-related uses of wood, like pole wood for constructing curing barns.²¹
- ◆ In 1995, the global tobacco industry produced an estimated 2.3 billion kilograms of manufacturing waste and 209 million kilograms of chemical waste.²² This does not include the enormous amount of litter caused by cigarette butts, most of which, contrary to popular belief, are not biodegradable. According to one estimate, 954 million kilograms worth of filters were produced in 1998, with many of them ending up littering the streets, waterways and parklands of countries.²³ This figure does not include cigarette packaging, lighters, matches and other waste by-products of tobacco use.

Can the damage be reversed?

The rates of deforestation due to tobacco growing and curing are high and a cause for concern. Reforestation programmes cosponsored and promoted by the tobacco industry are not enough to reverse the damage. One of the biggest tobacco companies says that in tobacco farming operations in Kenya, the company requires their contract farmers to plant 1 000 eucalyptus trees on their lands for three consecutive years²⁴. This would require 1.5 hectares, but the average Kenyan farmer has only between half and one hectare.²⁵ According to Samson Mwita Marwa, a tobacco farmer and former member of Parliament from the Kuria district in Kenya, "BAT claims to be engaged in reforestation programmes. I have yet to see a single mature tree that BAT has planted in Kuria district. In any case, the rate of deforestation is far too fast to be equal to the rate of reforestation".²⁶

In the end... Where do profits go?

- ◆ In 2002, Japan Tobacco, Philip Morris/Altria and BAT, the world's three largest tobacco multinationals, had combined tobacco revenues of more than US\$ 121 billion. This sum is

greater than the *total combined* GDP of Albania, Bahrain, Belize, Bolivia, Botswana, Cambodia, Cameroon, Estonia, Georgia, Ghana, Honduras, Jamaica, Jordan, Macedonia, Malawi, Malta, Moldova, Mongolia, Namibia, Nepal, Paraguay, Senegal, Tajikistan, Togo, Uganda, Zambia and Zimbabwe.²⁷

¹ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.

² Morbidity and Mortality Weekly Report Highlights, April 12, 2002, Vol. 51, No. 14.

³ Jin S et al. An Evaluation on Smoking-induced Health Costs in China (1988–1989). *Biomedical And Environmental Sciences*, 1995, 8, 342–9.

⁴ Jiang Y, Jin S. Social economic burden attributed to smoking in China, 1998. Paper presented at the *National Conference on Policy Development of Tobacco Control in China in the 21st Century*, Beijing, 29–31 May 2000; and: Hu TW and Z. Mao. Effects of cigarette tax on cigarette consumption and the Chinese economy. *Tobacco Control*, 2002;11:105–108.

⁵ Nassar H. The economics of tobacco in Egypt, A New Analysis of Demand. *HNP Discussion Paper, Economics of Tobacco Control* Paper No. 8, March 2003.

⁶ Shaping the Future *The World Health Report 2003*.

⁷ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.

⁸ Jacobs R et al. The Supply-Side Effects of Tobacco Control Policies. In: Jha and Chaloupka eds, *Tobacco Control in Developing Countries*, Oxford University Press, 2000.

⁹ From FAO Database, <http://apps.fao.org>

¹⁰ Tobacco leaves export data from FAO statistical database (<http://apps.fao.org>) for 2002; *Value of total exports by country for 2002*, UNCTAD Handbook of Statistics 2003.

¹¹ Ibid.

¹² *The Cigarette "Transit" Road to the Islamic Republic of Iran and Iraq: Illicit Tobacco Trade in the Middle East*. Geneva, World Health Organization, 2003.

¹³ European Community vs. R.J. Reynolds, <http://www.nyed.uscourts.gov/02cv5771cmp.pdf>

¹⁴ Prabhat Jha, Chaloupka FJ. *Curbing the epidemic: Governments and the economics of tobacco control*. Washington, D.C, World Bank, 1999.

¹⁵ Hu T and Mao Z. *Tobacco Farming and Government Policies in China*. World Bank Discussion Paper, forthcoming.

¹⁶ Jacobs R op. cit. According to one report, Universal is conducting experiments with mechanized farming in Brazil, possibly reducing this number further (Jungbluth G Double Whammy. *Tobacco International*, April 2000).

¹⁷ Guindon GE and Boisclair D. Past, Current and Future Trends in Tobacco Use. *HNP Discussion paper, Economics of Tobacco Control* Paper No. 6, February 2003.

¹⁸ Campaign for Tobacco Free Kids, *Barren Leaf, Golden Harvest: The Costs of Tobacco Farming*, 2001.

¹⁹ van Liemt G. *The world tobacco industry: Trends and prospects*. Geneva, International Labour Office, Working Paper 179, 2002.

²⁰ Geist HJ. Global assessment of deforestation related to tobacco farming. *Tobacco Control*, 1999, 8:18–28.

²¹ Geist HJ. How tobacco farming contributes to tropical deforestation. In: Abedian et al. eds. *The Economics of Tobacco Control: Towards an Optimal Policy Mix*. Cape Town, Applied Fiscal Research Centre, 1998.

²² Novotny TE, Zhao F. Consumption and production waste: another externality of tobacco use. *Tobacco Control*, 1999, 8:75–80.

²³ Register K. Cigarette Butts as Litter: Toxic as Well as Ugly. *Underwater Naturalist: Bulletin of the American Littoral Society*, Volume 25, Number 2, August 2000.

²⁴ Simon Chapman, *Tobacco and Deforestation in the developing World*. *Tobacco Control* 1994; 3: 191-3.

²⁵ Currie K, Ray L. Contract farmers: a case study from rural Kenya. *Development Research Digest* 1983 Winter;10. Op. Cit. In Simon Chapman's *Tobacco and Deforestation in the developing World*.

²⁶ Testimony submitted on 17 August 2000 before the WHO public hearings on the FTC: <http://www3.who.int/whosis/ftc/Submissions/F6360629.pdf>

²⁷ Philip Morris/Altria, BAT and Japan Tobacco 2002 Annual Reports. World Bank, World Development Indicators, July 2003.