

Economics of Tobacco for the South Asia (SA) Region

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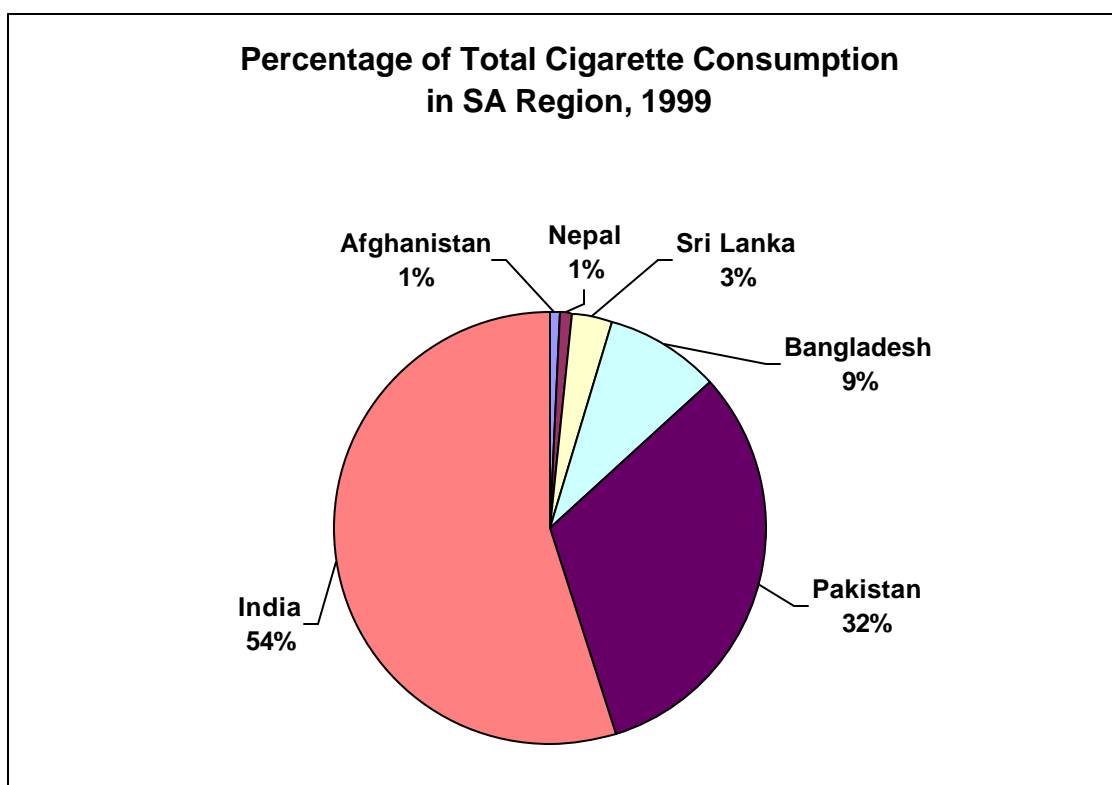
I: Executive Summary

The South Asia (SA) region includes 8 countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. In 1999, SA accounted for 3.4% of the world's total cigarette consumption, with 23% of the world's population. In the SA region, average cigarette consumption per person 15 years and older was only 10 packs in 1999. Actual use of tobacco products was more serious than cigarette consumption showed, since bidis and other tobacco products are widely used in this region.

II: Cigarette Consumption and Smoking Prevalence

In 1999, total cigarette consumption for the SA region was 174,875 million pieces, accounting for 3.4% of the world total consumption (SA's population was around 23% of the world total in 2000).

Figure 1: Percentage Shares of SA Cigarette Consumption in 1999

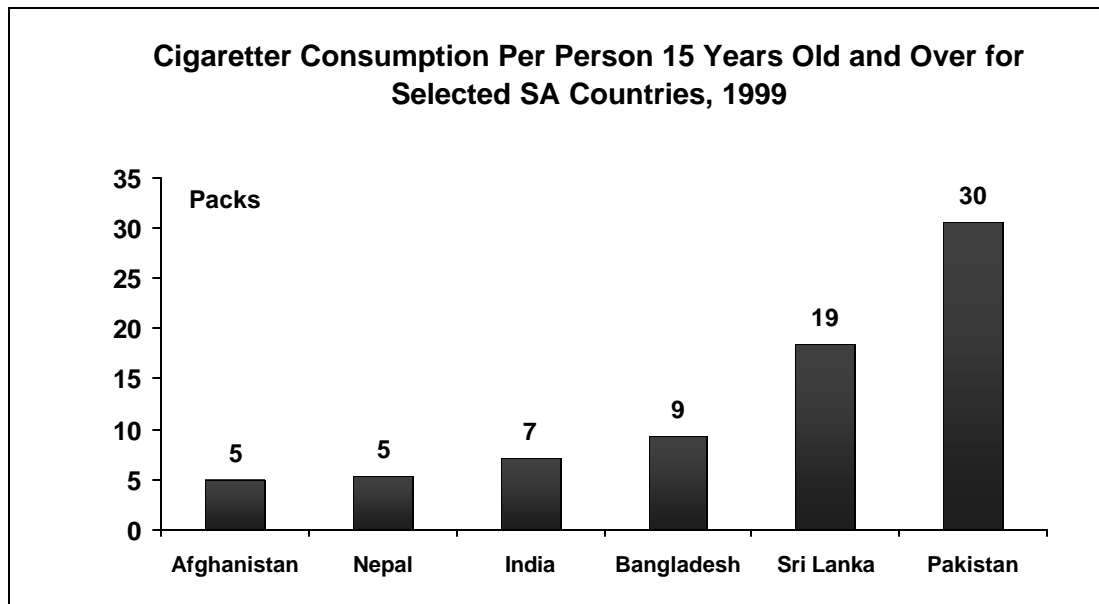


Sources: USDA and ILO

Note: Bhutan and Maldives are not included in the MNA total consumption due to lack of information.

Not surprisingly, all SA countries show very low cigarette consumption per person 15 years and older. In 1999, Pakistan has the highest per 15+ consumption level of 30 packs.

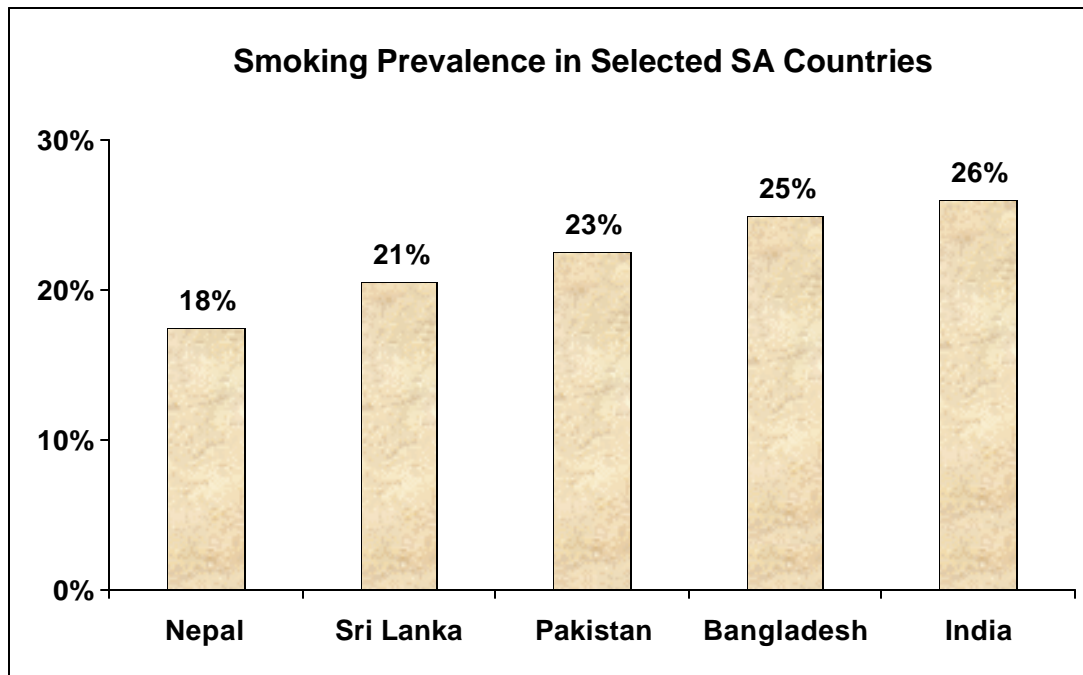
Figure 2: Cigarette Consumption per Person 15 Years and Older, 1999



Source: World Bank Estimates

Smoking prevalence is not very different among SA countries, from 18% in Nepal to 26% in India. Overall, about 25% adults in the region are smokers and average annual consumption for these smokers was 10 packs in 1999.

Figure 3: Overall Smoking Prevalence in Selected SA Countries, 1999

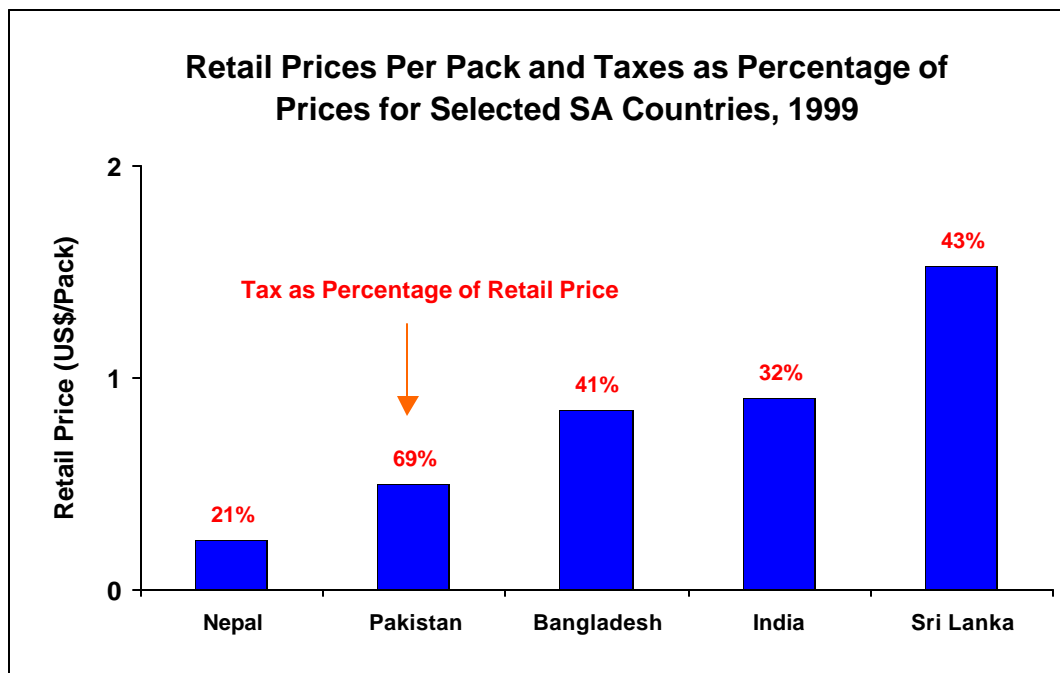


Source: World Bank Estimate

III: Cigarette Taxes and Prices

In 1999, total cigarette tax as percentage of retail price (excise and VAT) varied from 21% in Nepal to 69% in Pakistan.

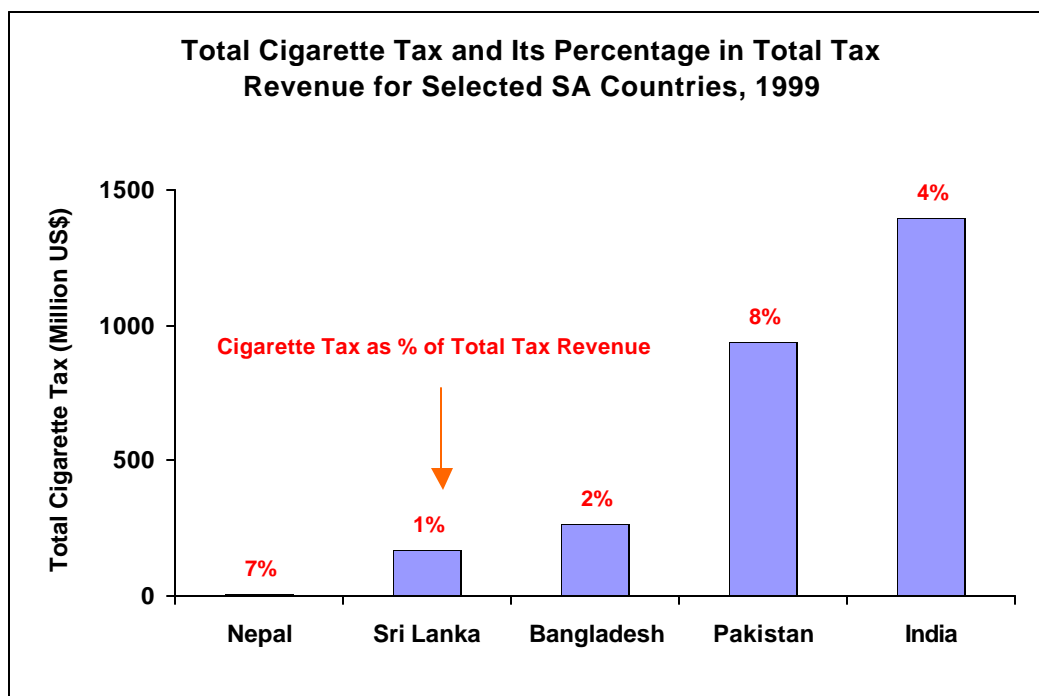
Figure 4: Retail Prices and Cigarette Tax as % of Retail Price, 1999



Source: World Bank Estimates

The importance of tobacco tax as a source of government revenue also differs widely across the SA region. For countries for which information is available, the share of cigarette taxes in total government revenue is shown below.

Figure 5: Tobacco Tax as % of Total Government Tax, 1999

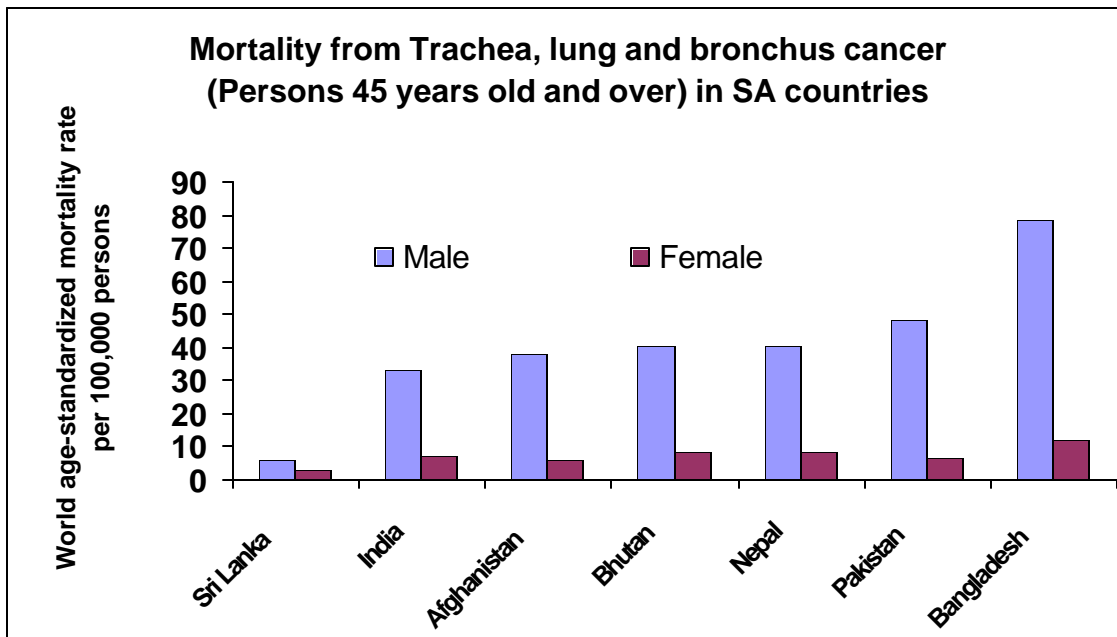


Source: World Bank Estimates

IV: Health Issues

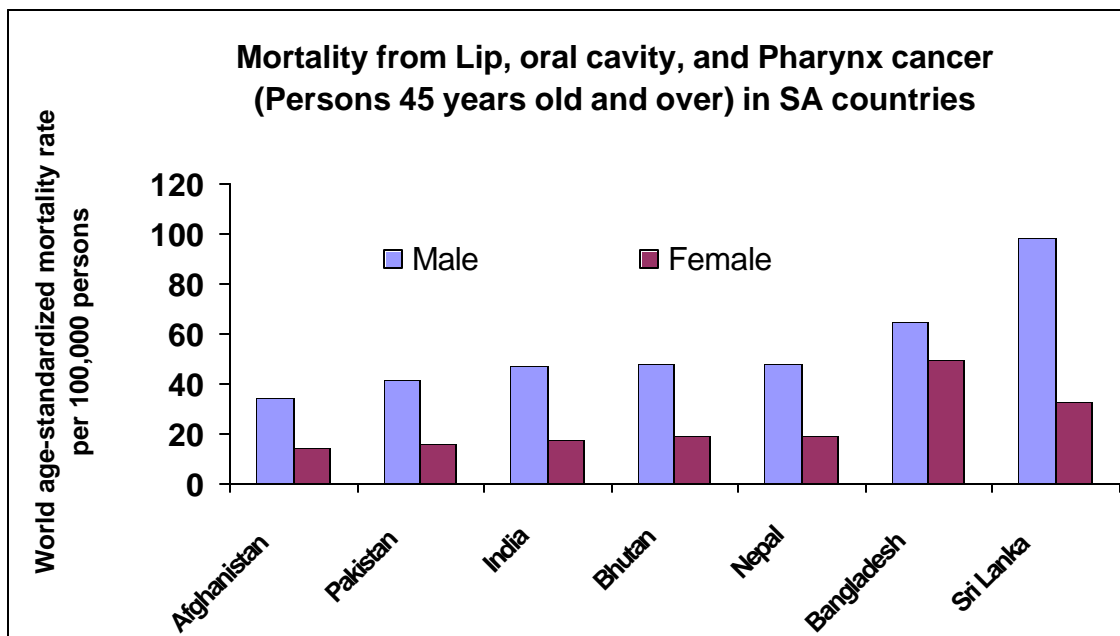
For all MNA countries, mortality from smoking related diseases is much higher for men than for women, reflected much higher historical smoking prevalence rates among men. However, as in other countries where much higher percentages of women have become smokers in recent decades, women's mortality rates will soon begin to reflect the serious health impact of smoking.

Figure 6: Standard Death Rates from Trachea, Lung, and Bronchus Cancer Per 100,000 Persons for SA Countries, 1990



Source: Ferlay, J., Parkin, D.M., & Pisani, P. (1998) *GLOBOCAN 1: Cancer incidence and Mortality Worldwide*. [CD-ROM]. International Agency for Research on Cancer.

Figure 7: Standard Death Rates from Lip, Oral Cavity, and Pharynx Cancer Per 100,000 Persons for SA Countries in 1990



Source: Ferlay, J., Parkin, D.M., & Pisani, P. (1998) *GLOBOCAN 1: Cancer incidence and Mortality Worldwide*. [CD-ROM]. International Agency for Research on Cancer.

V: Tobacco Control Measures

The status of tobacco control varies widely among countries in SA region. Some countries totally lack or have very minimal tobacco control laws which other countries have much better control measures. For example, in India, tobacco advertisement are banned on state-owned radio and television and a single warning label on cigarette packets and advertisement is mandatory.

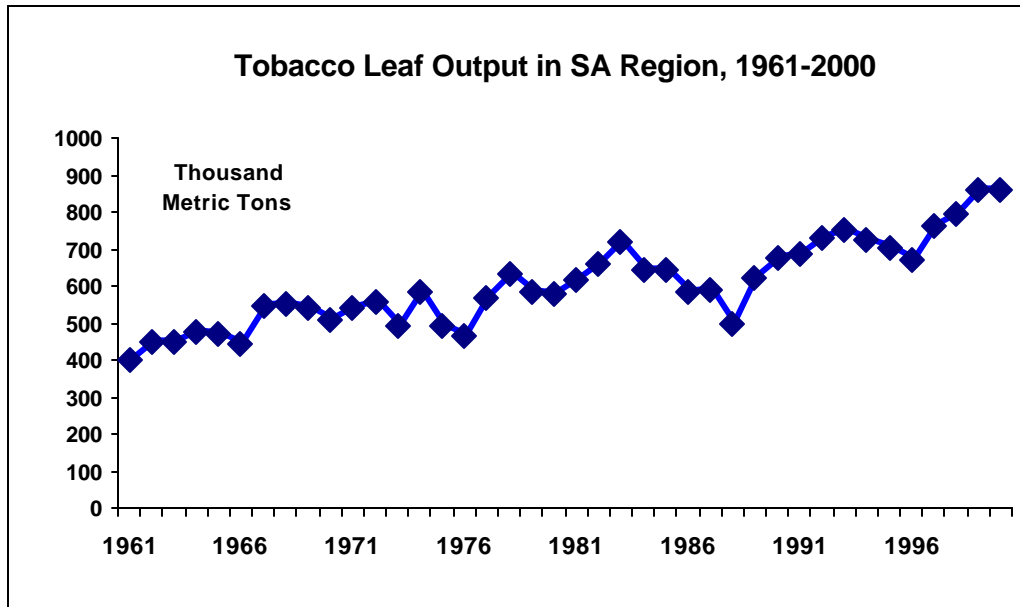
One of the most important challenges to tobacco control in the region is advertising. Although several countries have enacted laws prohibiting tobacco advertising on television, there are a large number of satellite channels that do not follow these laws. For instance, India, the world's largest film industry, has over 50 satellite TV channels, most of which advertise cigarettes and other tobacco products. Smuggling activities also present a challenge to tobacco control policies in the region. It is now known that transnational tobacco companies do little to prevent, and may actually encourage, such illegal activities.

There is a great need to tobacco control in this region. In addition to causing health problems, tobacco causes individual economic hardship. Among very poor people, expenditures on tobacco often occurs in lieu of expenditures on other essential items. Political commitment to tobacco control in the region is rather weak, and advocacy efforts in this direction are nearly-existent. Currently, there are no broad-based tobacco control movements and there is a constant resource problem.

VI: Production and Trade

Tobacco leaf production has been increasing steadily since 1960s. In 2000, total leaf production in SA region was 857,000 metric tons, more than twice the production of 401,000 metric tons in 1961.

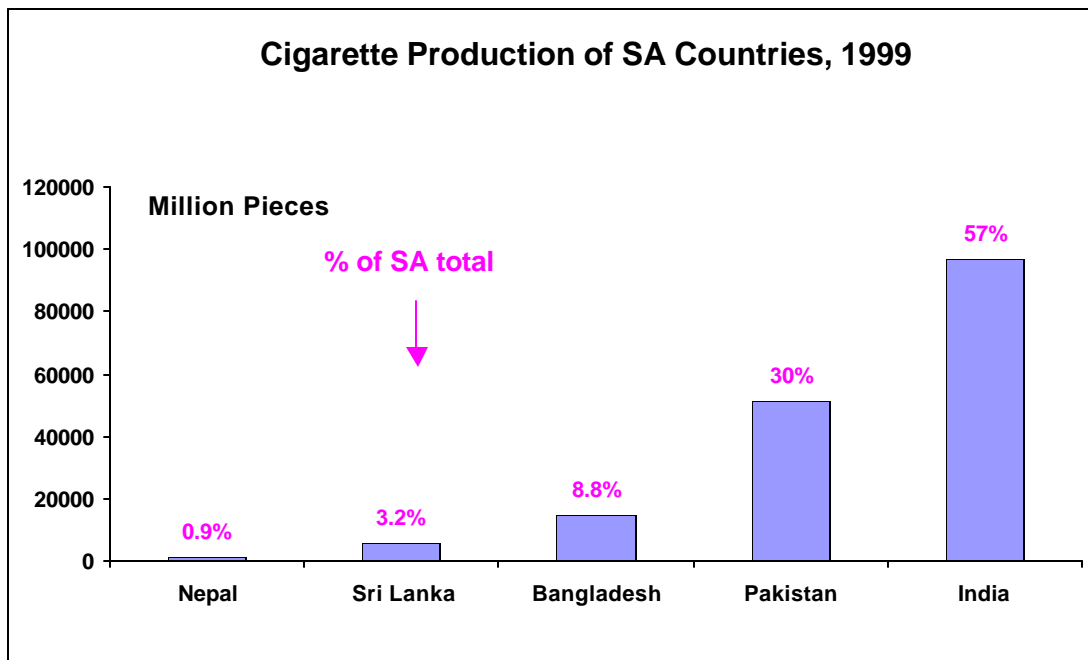
Figure 8: Tobacco Leaf Production in SA, 1961-2000



Source: FAO

In 1999, SA countries collectively produced 170 billion cigarettes. India is the largest cigarette producer in the region, with 97 billion cigarettes, or 57% of the region’s total in 1999.

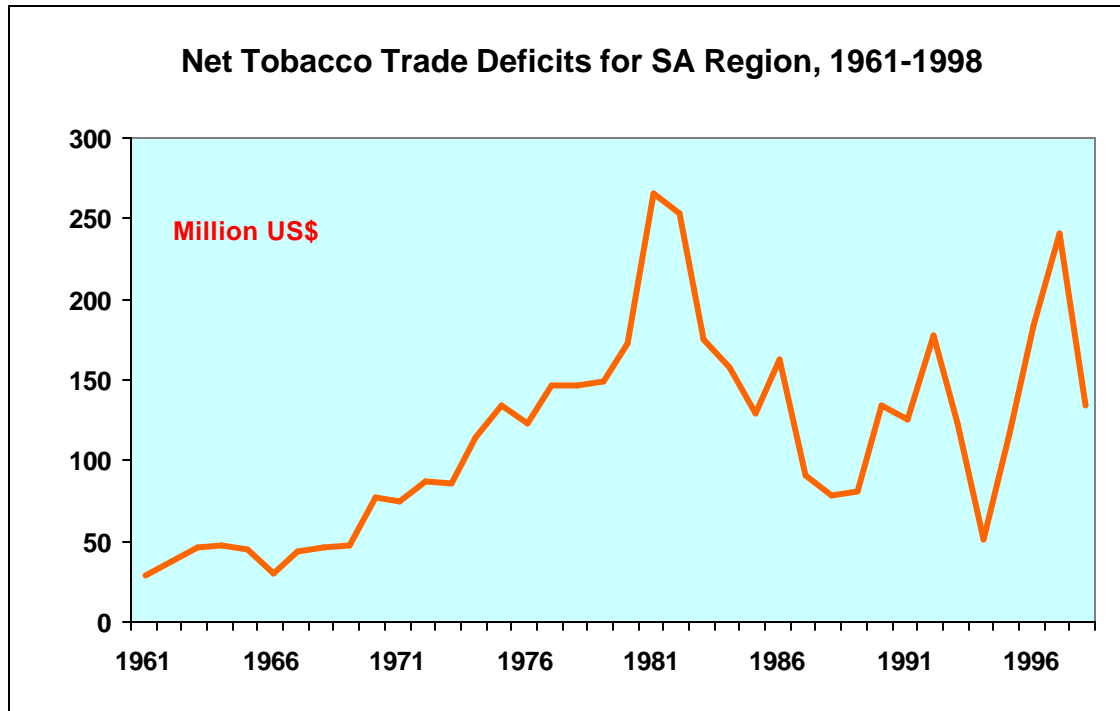
Figure 9: Cigarette Production and Percent of SA Total, 1999



Source: USDA

Overall SA region is a net tobacco exporters. Net tobacco trade surplus increased steadily from 1961 to 1981. It then declined sharply in 1980s, followed by increase in 1990s with the exception of a sudden drop in 1994. In 1998, total net surplus was US\$132 million.

Figure 10: Tobacco Trade Net Surplus for SA region, 1961-1998



Source: FAO

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