Situation Analysis: An Overview of the Role of The World Bank and WHO in Global Tobacco Control

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This paper is commissioned by, and produced for the World Health Organization, Geneva
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India Conference; January 2000
Situation Analysis:
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Global Tobacco Control

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Executive Summary

This paper is set to provide an overall review of the context and the content of the World Bank’s new policy position with regard to tobacco control, entitled: Curbing the Epidemic: Governments and the Economics of Tobacco Control (1999). To this end, the paper focuses on the changing global pattern of tobacco consumption. It argues that a large array of global developments have turned the smoking epidemic to a transnational problem with public health and economic dimensions. Global multilateral institutions such as the World Bank and WHO thus have to respond.

The reality is that tobacco, its production and its consumption, is as much a health issue, as is an economic issue. In effect, increasingly the global focus of tobacco control needs an economic-analytic approach. Both the industry and the public policy makers express great concerns over the economic aspects of tobacco control. These concerns need to be addressed effectively. The paper highlights some of the most common economic issues that the policy makers especially in the developing world encounter.

The paper argues that tobacco has become a complex global health hazard and needs a co-ordinated multi-prong solution at regional and international levels. WHO’s Framework Convention for Tobacco Control (FCTC) is thus a logical framework for co-ordinated international action. While WHO is entrusted with the task of championing the public health issues of humanity, it is abundantly clear that much support and collaboration is needed for it to succeed. A prime example of such constructive input is the World Bank’s report that demystifies the economic issues that so often confront the governments, particularly in the developing worlds. Other multilateral and regional organisations have much to offer in this regard. Practical ways have to be found in order to create the effective network needed to deal with the looming global crisis caused by smoking. The World Bank’s policy stance is thus timely and complementary to WHO’s FCTC.
I. INTRODUCTION: SETTING THE CONTEXT

Over the past few years, there has been an unprecedented and rising level of collaboration between the World Bank (WB) and the World Health Organisation (WHO) in the field of global tobacco control. Both institutions have primary concerns in respect of global tobacco consumption and production. Their collaboration thus needs to be contextualised against the backdrop of a rapidly changing world economic order; and in particular in view of a dramatic shift in global patterns of tobacco consumption. The salient features of the recent developments in this regard include the following:

(a) Scientific research has established beyond any doubt that prolonged smoking has startlingly large health hazards. The developed nations have responded to these epidemiological studies, and have introduced public health policies accordingly. The level of tobacco consumption in the developed world has been declining steadily.

(b) Yet the governments of the poorer nations have by and large ignored these scientific warnings. Meanwhile, smoking prevalence in the developing countries has been rising considerably. Aggressive investment and marketing by the tobacco industry, alongside with passive or inappropriate national public policy responses, have been the main contributing factors to the phenomenon. The majority of humanity is thus exposed to unprecedented, albeit preventable, risks. The projected casualties of the present-day global public health policy paralysis is a staggering 10 million deaths per year by the year 2030. Seventy percent of such deaths will occur in the poorer countries.

(c) The prevalence of cigarette (as opposed to tobacco) smoking is positively related to income levels in the developing nations. This may be attributed to the perceived ‘superior behaviour’

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1 I would like to thank the participants of the ‘October 99 Meeting of the Experts’ in New Delhi, India for their constructive comments on the first draft of this paper. All errors and omissions remain mine.
of cigarette smokers. Whatever the psychoanalytic roots of the phenomenon, the fact is that this pattern tends to glamorise the habit and entrench the pattern of smoking amongst the young men and women who are the most productive segment of the workforce with rising income levels.

(d) Increasingly, tobacco advertising targets women world-wide. With the rising prevalence of smoking among women, children and the youth become even more exposed to the habit.

(e) With the rapid globalization, and the removal of barriers to capital mobility, the tobacco industry finds it convenient to penetrate the markets in the developing countries. The transnationalisation of the industry, in turn, consolidates its relative power vis-à-vis the national governments of the poorer nations; hence the industry assumes inordinate impact on public health policies in such countries.

(f) This is further compounded by the global pressures for privatisation of state monopolies, amongst them, the state-owned public cigarette manufacturing companies. In pursuit of higher production efficiency, and in anticipation of larger foreign investment, governments in the developing countries have followed privatisation and commercialisation policies that have further entrenched the tobacco industry’s socio-economic position.

(g) The transnationalisation of, inter alia, communication has undermined the sovereignty of governments in areas such as access to information, advertising control, and even retail products distribution. In effect, tobacco advertising has become a transnational issue that requires a global response.

In essence the changing pattern of tobacco consumption together with a large array of global developments have turned the smoking epidemic to a transnational problem with public health and economic dimensions. Global multilateral institutions such as the World Bank and WHO thus have to respond.

In May 1999, the World Bank used the occasion of the World Health Assembly to unveil its new study, and announced its new stance, on the role of governments in curbing the smoking
epidemic. Apart from the symbolic significance of the collaboration between the two institutions, the World Bank’s partnership with WHO fills a much-needed gap in a holistic approach towards global tobacco control. The reality is that tobacco, its production and its consumption, is as much a health issue, as is an economic issue. In effect, increasingly the global focus of tobacco control needs an economic-analytic approach. Both the industry and the public policy makers express great concerns over the economic aspects of tobacco control. These concerns need to be addressed effectively. The World Bank’s policy stance is thus timely and complementary to the WHO’ Tobacco Free Initiative.

Against this backdrop, this paper is set to provide an overview of the World Bank’s policy document, and highlight the necessity for WHO’s critical championship of a global tobacco control strategy. The structure of the paper is as follows: Section 2 will provide a brief overview of the public health dimensions of smoking with special reference to South East Asia. Section 3 will examine the overall thrust of the World Bank’s study and the policy recommendations of Curbing the Epidemics: Governments and the Economics of Tobacco Control. Section 4 will briefly summarise the WHO’s role, with particular focus on the need for a global Convention on tobacco control. The paper will conclude with a summary of key observations.

II. TOBACCO AND PUBLIC HEALTH: AN OVERVIEW

Nowadays, it is beyond any doubt that smoking is a lethal habit. Even the tobacco industry no longer refutes the health hazards of smoking. Equally true is the fact that smoking is increasingly a developing country phenomenon. In terms of the 1996 statistics, the three countries of China, India and Indonesia alone consume 44% of the world tobacco. (Chaloupka and Corbett 1998) Over the past two decades the rapid rise in smoking prevalence among the poorer nations has increased their share of smokers to 70% of the total in the world. As importantly, the level of smoking, as measured by cigarettes per capita, has risen in the developing countries. Figure 1 below illustrates the overall pattern of per capita adult cigarette consumption in developed as well as developing countries.

2 For the first time Philip Morris via its website openly admits the ill-health consequences of smoking in October 1999.
In response to nearly three decades of anti-tobacco public policies, the developed world is beginning to experience a decline in smoking prevalence. The public health consequences in these societies are thus likely to decrease accordingly. Meanwhile, the rise in smoking in the developing world may be attributed to two sets of internal and external factors. Chief amongst the internal factors are:

(a) Illiteracy and Low Literacy: It is generally recognised that consumer’s knowledge is a key determinant of consumption choice. Moreover, in the case of a hazardous item such as smoking, the level of literacy and education in general plays a major role in consumer choice. A case in point is an empirical study in India, as illustrated in Figure 2 below.
To the extent that illiteracy, or literacy, is widespread in the developing countries, it predisposes the population to higher prevalence of smoking. Rising literacy on its own, however, does not guarantee lower consumption of tobacco. In fact, in many developing countries with rising literacy and higher income, smoking prevalence tends to increase. South East Asia over the 1980s and 1990s is a case in point. This is driven mostly by the ‘income effect’ and the ‘impact of advertising’; in the absence of an effective public awareness programme. Low literacy, at the same time, undermines public health campaigns that rely on health warnings, and other forms of health education that require literacy.

(b) Lack of public education and awareness. Developing nations commonly lack adequate public health facilities and in general do not pay sufficient attention to preventive measures in the form of public education and awareness programmes. In the case of an addictive substance such as tobacco, this is a major drawback. The challenge is to avoid smoking habits to begin and prevent addiction to set in. Developing countries are generally least equipped to provide an effective and sustained public awareness programme. The population is thus left exposed to the health hazards of a variety of preventable diseases, including tobacco addiction.

(c) Lack of political will: Societal issues ultimately require political will to resolve. The public health hazards of smoking are no exception. Much too often the political leadership in the developing nations ‘politic around’ the health aspects of smoking as opposed to dealing with the hard choices that would provide effective solutions to the problem. One of the contributing factors in this regard is the short-term time horizon of political office bearers. Tobacco control policies pay off in the medium to long run. Meanwhile the politician’s concern is mostly driven by short run prospects. In part this has to do with the issues of accountability and democratic governance as incorporated in the socio-political superstructure of the country. In some cases, lack of public resource availability is also a contributing factor. Whatever the cause roots of the phenomenon, the outcome is disastrous from a public health perspective.

Amongst the external, or global, factors that have raised the level of smoking in the developing world are the following:
i. **Rapid pace of Globalization**: Freer transfer of goods and easier availability of cigarettes have provided accessibility that did not exist before.

ii. **Trade Liberalisation and international Capital Flows**: Trade liberalisation has led to lower than otherwise prices for cigarettes. This in turn increases demand and consumption. Rising demand in the meantime provides the production scale that is needed for efficient local/regional manufacturing enterprises. Closely interrelated with this are the pressure for privatisation and the quest for foreign capital inflows. In a number of the developing countries, the manufacturing of cigarettes has been privatised, using foreign capital. This leads to a more efficient production, hence lowering of the price with a concomitant rise in consumption.

iii. **Lack of Co-ordination among Multilateral Institutions**: Historically, the tobacco policies of the multilateral institutions such as the WHO, the UN agencies, the World Bank and the IMF have not been co-ordinated. This lack of policy co-ordination has in some instances led to contradictory policy prescriptions and investment strategies. Of late, however, there has been a rising level of co-operation among these institutions. In addition to the close collaboration between WHO and the World Bank, there is growing recognition that the UN agencies need to harmonise policies and practices if the massive global human losses of tobacco smoking are to be averted. To this end, the UN Economic and Social Council resolution 1999/56 of 30 July 1999 is a critical achievement. In terms of the resolution, A UN Ad Hoc Interagency Task Force is established as a focal point for global tobacco control. The WHO leads this task force. This augurs well for not only international policy co-ordination, but also for the success of the WHO’s Tobacco Free Initiative.

iv. **Communication Revolution**: Unprecedented inventions and innovations in the communication technology has transnationalised, among others, cigarette advertising. National controls over the content and other aspects of advertising have diminished. As a result market penetration is made much easier and cheaper for the tobacco industry.

The above list is by no means exhaustive. Yet it illustrates the fact that the combination of internal and external factors have created a global social milieu in which tobacco use has reached
epidemic proportions. In terms of the most recent estimates:

- At present, over one billion people world-wide are addicted to smoking. This number is expected to rise to 1.6 million over the next 25 years.
- Approximately 80,000 to 100,000 young people become addicted daily; the majority of these are in the developing countries.
- Within the next thirty years, tobacco is likely to be the single biggest cause of death world-wide, killing about 10 million per year. About half of these death will be in the working age of 35 to 69.
- It is estimated that about 500 million people alive today will eventually be killed by tobacco use. More than half of these will occur among today’s children and teenagers. (*The World Bank, 99b*)

The picture is particularly bleak for the developing countries. The estimated casualties of tobacco addiction are further compounded by the lack of social security systems, adequate public health facilities, and a pervasive general poverty. What these figures fail to show however, is the sheer magnitude of human sufferings that afflict not only the addicts themselves, but also their relatives and family members. It is the sum total of these personal and social costs that create a near catastrophic situation for the developing nations.

Given its high smoking prevalence ratios and the sheer size of its population, South East Asia looms particularly large in this global picture. And, ironically, the more this region enjoys economic growth, the more it is likely that smoking prevalence will rise, due mainly to the income and ‘perceived prestige’ effects. If unchecked, therefore, smoking is likely to become the region’s foremost public health hazard in the new century. Combating the problem, for the reasons mentioned earlier, will require a mix of national and international solutions. Much regional and global policy co-ordination is needed in this regard.

III. **Socio-Economic Cost of Tobacco: The World Bank Role**

Tobacco is no longer a public health issue alone. Given the scale of tobacco production world-wide, the number of people employed directly and indirectly by the industry, and the level of
income generated by the industry for various sectors including the government, it is a fact that tobacco has assumed a major socio-economic significance. In addition, its exceptionally high profit margin has meant that the tobacco industry has command over the necessary resources to establish a power international scientific, commercial, and marketing infrastructure to protect its interest. The anti-tobacco strategies have thus had to confront a very sophisticated and well-resourced network.

By the early 1990s, a two-prong development had emerged. One the one hand, as stated earlier, tobacco had become largely a developing country issue. As such it had become a global public health with strong and complex economic dimensions. On the other hand it was increasingly evident that the industry has lost the arguments related to the health hazards of smoking. The locus of arguments on the side of the industry shifted to the broader issues of mainly non-health nature. As such governments and societies in general have been increasingly faced with a set menu of issues related to economics of tobacco, mostly as a counter balance to the harmful health effects of smoking. Governments were faced with issues related to potential job losses, lower growth, loss of tax revenues, and prospects of lower foreign investment. In the developing world these issues are amongst the most sensitive, socio-politically. And, the fact was, and still largely is, that these very issues are among the least researched in the developing countries.

This is the backdrop against which the World Bank’s recent tobacco control policy was initiated, adopted and made public in May 1999\(^3\). The policy document is entitled *Curbing the Epidemic: Governments and the Economics of Tobacco Control*. It is the subtitle that merits special attention.

Broadly speaking, the document fulfils two much-needed objectives. Firstly it provides a set of new research evidence drawn from econometric analyses of not only the developed country cases, but also from the developing countries including India, Bangladesh, South Africa, and Zimbabwe. Secondly, and possibly more importantly, it addresses directly the very questions that

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\(^3\) Prior to 1999, in terms of a 1991 policy decision, the World Bank has had a formal policy of not lending for tobacco production and encouraging tobacco control. However, in practice this non-lending policy has not resulted in much, particularly that money is fungible and it has proven hard to enforce the policy consistently.
governments in the developed and developing countries have to face when considering tobacco control policies. In assessing the document Professor Amartya Sen, the 1998 Economics Nobel Laureate, observed that: “It is a fine balance of information and a timely plan of action.” (World Bank, 1999a) The emphasis on public policy action makes it a particularly relevant report. In this regard, it lends a coherent and timely technical support to the WHO’s Tobacco Free Initiative.

**Key Policy Recommendations of the World Bank Report:**

The tobacco epidemic may be curbed from either the supply or the demand side. The supply side pertains mainly to crop substitution, trade restrictions, and even banning of the product. Based on its research, the World Bank Report does not recommend any of these measures, mainly because they are neither effective and sustainable, nor feasible in most cases. The Report acknowledges that in the short term, it is unlikely that many lives will be saved, or considerable public health gains will be made, from investing in supply side measures to combat tobacco. This is partly due to the time lags that exist between scientific research and the large-scale operationalization of research findings. However the Report recognises the need for continued research and development in order to explore viable substitutes for tobacco in the medium to long run. This is particularly significant for a number of developing countries such as China, India, Malawi, Brazil, Zimbabwe and the like. In these countries, tobacco production is so large as to constitute a potential social dislocation following any abrupt discontinuation of tobacco farming. Clearly, the transition needs to be managed responsibly, that is with least socio-economic burden.

The curbs on the demand side of the tobacco epidemic are far more immediate and effective; particularly in the short term. Here, the World Bank Report makes special contributions and provides specific and feasible policy recommendations to governments world-wide. Below is a summary of the salient proposals.

The most effective short-term interventions that governments can make are those that affect the price of cigarettes. Excise taxes are obvious measures in this regard. In terms of economic theory and well-established empirical research, there exists an inverse relationship between the price and consumption of any good; including cigarettes. This negative relationship is further affected by other factors such as income levels and the degree of addiction. Nonetheless, there is no short-
term substitute for this type of intervention. This is particularly important for the poorer countries, because consumption of tobacco amongst the poor is far more price elastic than for the rich. This is illustrated by the following summary of international studies as shown in Table 1.

Table 1: Comparison of price elasticity estimates for cigarette consumption for selected countries

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference</th>
<th>Country studied</th>
<th>Elasticity estimate</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>Fujii</td>
<td>USA</td>
<td>-0.45</td>
<td>Time-series 1929-73</td>
</tr>
<tr>
<td>1982</td>
<td>Lewit and Coate</td>
<td>USA</td>
<td>-0.42</td>
<td>1976 Health Interview Survey gives elasticity by age and sex</td>
</tr>
<tr>
<td>1984</td>
<td>Leu</td>
<td>Switzerland</td>
<td>-0.50</td>
<td>1954-81 sales data</td>
</tr>
<tr>
<td>1985</td>
<td>Bishop and Yoo</td>
<td>USA</td>
<td>-0.45</td>
<td>Time-series aggregate data 1954-80</td>
</tr>
<tr>
<td>1985</td>
<td>Radfar</td>
<td>UK</td>
<td>-0.23 (SR)</td>
<td>Quarterly aggregate sales data 1965-80</td>
</tr>
<tr>
<td>1988</td>
<td>Godfrey and Maynard</td>
<td>UK</td>
<td>-0.56</td>
<td>1956-84 aggregated sales data</td>
</tr>
<tr>
<td>1990</td>
<td>Chapman and Richardson</td>
<td>Papua New Guinea</td>
<td>-0.71</td>
<td>Excise elasticity for cigarettes and non-tobacco 1973-86</td>
</tr>
<tr>
<td>1993</td>
<td>Keeler, Hu, Barnett and Manning</td>
<td>California</td>
<td>-0.3 to -0.5 (SR)</td>
<td>Monthly time-series consumption data, 1980-90</td>
</tr>
<tr>
<td>1994</td>
<td>Sung, Hu and Keeler</td>
<td>11 US states</td>
<td>-0.40 to -0.48 (LR)</td>
<td>1967-90 panel data</td>
</tr>
<tr>
<td>1994</td>
<td>Reekie</td>
<td>South Africa</td>
<td>-0.877</td>
<td>1970-89 Time-series consumption data</td>
</tr>
<tr>
<td>1995</td>
<td>Tremblay and Tremblay</td>
<td>USA</td>
<td>-0.4</td>
<td>Time-series 1955-1990</td>
</tr>
<tr>
<td>1996</td>
<td>Van Walbeek</td>
<td>South Africa</td>
<td>-0.32 (SR)</td>
<td>1972-90 Tobacco Board data</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-0.53 (LR)</td>
<td>1971-89 Reekie’s data</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-0.66 (SR)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-1.52 (LR)</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>Economic of Tobacco Control</td>
<td>South Africa</td>
<td>-0.57</td>
<td>1970-95 Time-series consumption data, simultaneous equation modeling</td>
</tr>
<tr>
<td></td>
<td>Report (1998)</td>
<td></td>
<td>-0.59 (SR)</td>
<td>1970-95 Time-series consumption data, single equation modeling</td>
</tr>
<tr>
<td>1997</td>
<td>Economic of Tobacco Control</td>
<td>South Africa</td>
<td>-0.69 (LR)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Economics of Tobacco Control in South Africa, (1998), Chap. 7

The relatively elastic demand means price increases are likely to reduce tobacco consumption amongst the poor more proportionately than in the case of the rich. It is important to underscore that such changes are effective only at the margin. Nonetheless, from a public health perspective the beneficiaries of higher cigarette prices are likely to be the lower income consumers including the youth and children. For such policy to be effective, however, it is important that the new taxes are imposed on all tobacco products simultaneously and equo-proportionately. In other words, increasing the price of cigarettes and not the price of other substitute tobacco products will in all probability lead to a ‘substitution effect’ with little or no public health gains.

The use of taxation is particularly relevant for at least two reasons: Firstly, as shown in Figure 3 below, in comparison with the developed countries, on the one hand the price of cigarettes is relatively low, and on the other hand, the tax proportion of the price is low.
As shown in Figure 4, with the exception of the US, in most developed countries, the tax proportion of the retail price of cigarettes is in excess of 50%. By contrast in most developing countries this ratio is substantially less than 50%.
This suggests that governments in the developing countries have ample latitude to increase tobacco taxation and have gains with respect to fiscal revenues as well as public health insofar as higher taxes raises the price and hence lowers the consumption of tobacco products. It is this win-win combination that often escapes the governments in the developing countries. More often than not the reason put forward for not taxing tobacco products is the potential loss of fiscal revenues. This is by and large a flawed argument. In almost all countries for which data are available, increases in tobacco taxes have led to a rise in fiscal revenues. The explanation lies in the inelasticity of tobacco consumption, caused mostly by the addictive properties of the substance. Of course, taxes cannot continue to rise indefinitely without affecting consumption at some point. But given the low base of tobacco taxes in almost all the developing countries, and taking into account the demand inelasticities, there is much scope for sustained tobacco tax increases in the developing world.

The second, and no less important, reason for raising taxes on tobacco is to increase fiscal revenues and have the resources to take care of, inter alia, public health expenses. Often it is argued that tobacco excise tax increases are likely to lead to lower fiscal revenues due to factors such as increased illegal trade in cigarettes and or other forms of tax evasions. There is indeed a grain of truth in such arguments. Whether or not governments should worry about it depends on the following factors:

(a) The integrity and efficiency of the custom services in the country,
(b) The exposure of the country to the established smuggling routes,
(c) The efficacy of the law enforcement systems,
(d) The availability of a strong and widespread informal trading practices in the country.
(e) The level corruption in the country, and in the region.

Of all the above-mentioned factors, the most pernicious is corruption amongst the political and technical office bearers. In countries where corruption exists, it corrodes the governance institutions and provides a thriving environment for smuggling of, inter alia, cigarettes. Clearly, for smuggling to be so effective as to undermine fiscal revenues from tobacco taxation, it needs much more than higher cigarette prices. (see Luk Jossens 1998)
An increasingly important aspect of tobacco taxation is, in my view, the need for regional and international co-ordination. Clearly when one country in a given region substantially increases the tobacco excise taxes it exposes itself to increased smuggling, larger cross border purchases, a potential loss of fiscal revenue. And as importantly it stands to gain much less in positive public health benefits than otherwise. A much superior solution would be a co-ordinated and ideally proportionate tax increases across a given region such as the South East Asia. In such cases, there is no increased threat of smuggling, every chance of substantial tax revenue gains, and a much better prospect in terms of public health. Not only in the case of tobacco taxes, but as I will argue later also in the case of advertising control regional and global co-ordination renders a much superior outcome. Such policy co-ordination, however, requires political championship as well as appropriate institutional structuring.

Following tobacco taxation, the next most important form of government intervention in reducing demand for tobacco products is comprehensive bans on tobacco advertising. As documented in the World Bank report, bans on advertising are effective in reducing tobacco consumption. Partial bans of tobacco advertising, however, are ineffective for a variety of reasons. The most significant aspect of comprehensive bans on tobacco advertising is the fact it effectively de-glamorises smoking. This is vital for creating a coherent milieu in which particularly the children and the youth are given a consistent message about the society’s perception of smoking. This is a necessary condition for arresting the rise in the current smoking epidemic. Further reinforcement measures are needed in the form of awareness programmes based on scientific and educational research.

The debate around cigarettes advertising bans, however, invites a series of associated arguments related to human rights, the smokers’ rights, and the right to advertise a legal product. Closely related to these issues is the question on whether smokers know their risks. These issues are adequately dealt with in the World Bank document and I do not intend replicating them here. However there are two political economy related aspects of these controversies that are not adequately covered in the report, and in my view merit amplification.

The most important of these issues relates to an evident ‘double standard’ in socio-democratic norms across countries. It is often argued that banning tobacco advertising could mark the
beginning of government encroaching on socio-democratic norms in the society. The tobacco industry and its sympathisers make a big issue out of this ideological point in the developing countries. What is often forgotten is that in the developed countries such arguments seem to arise in an inverse context. In other words, because of the very democratic norms, espoused by the society, governments in the developed countries introduce stringent measures to provide a better living conditions for all; something which may well entail a reduction in absolute individual freedoms. Such curtailments could range from the speed limits on the roads to ban on smoking in public places, or a comprehensive ban on tobacco advertising as adopted by the European Union in 1998 and is to come to full effect by October 2006. Surely, the population of the developing countries deserves a similar benefit of democratic values.

Allied with democratic values is the overarching issue of human rights. The WHO constitution states:

“The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without distinction of race, religion, political belief, economic or social conditions.” (Leary, p.2)

Linking smoking with human rights is bound to invite numerous controversies. At first glance, it may be argued that the human rights aspects of tobacco use concern the freedom to smoke without interference from others including the state. (Leary 1999) However, given the irrefutable addictive nature of the product, it has to be asked: What happens to the human rights of someone who has been enticed via sophisticated advertising and led to smoking addiction in a young age? It is with regard to children and the youth that the ‘human right to health’ is of particular relevance for the global tobacco control initiatives.

From a policy perspective, another pertinent issue is about the assignment of property rights within the society. In most countries, by default and due to historic reasons the actual assignment of property rights is in favour of the smoking addicts. As such an attempt to curtail such perceived entitlement raises strong objections by the beneficiary interest and business groups. As a result, the onus has fallen on the non-smokers to re-claim their rights, and in the process bear the ‘burden of the proof’; i.e. costs of generating the required evidence, lobbying expenses, and the like. Within an alternative constitutional framework, with clearly defined property rights, it could well be the addicts who not only bear the burden of the proof but also they may be
required to compensate the non-smokers for the disutility and social discomfort caused. Ultimately, therefore, it is the value system of the society that needs to determine which way property rights should be assigned. In terms of economic analysis, clear articulation of property rights assignment is needed in order to minimise wasteful resource use by contending claimants to capture the potential gains from property rights. In this way, the society also reveals its preference for the attendant income distribution consequences of the constitutional ruling.

A final element of the World Bank Report that I believe is particularly pertinent for the developing countries, and merits singling out for discussion, is the issue of jobs and tobacco control policies in the developing countries. Understandably, employment is a matter of top concern for the poorer nations. And, in the political economy discourse around tobacco control it is often taken for granted that controlling tobacco is equivalent to job losses. Governments and societies therefore react accordingly. On the face of it the argument has a strong intuitive appeal, because it posits that tobacco control will lead to less smoking, less or no advertising of tobacco products, and thus the industry will shrink, jobs will be lost and incomes will disappear accordingly. However, such arguments are fundamentally flawed. There are good theoretical and empirical reasons for this. Here are the two main reasons why tobacco control is unlikely to lead to any noticeable reduction in employment and or income losses.

Firstly, from an aggregate economic point of view on the expenditure side, when smokers reduce their consumption of tobacco they spend their money on some other items of consumption. There is no loss of income on the part of smokers; instead they rearrange their spending patterns. This is called ‘expenditure switching’. The economy as a whole does not sacrifice any income. The question therefore is whether the new pattern of spending is more or less job creating? This is essentially an empirical issue and is dependent on the type of economic structure as well as the pattern of consumer preferences after they quit or reduce smoking. If the consumers spend their additional resources (given their less spending on cigarettes) on labour-intensive products and services this might in fact lead to more jobs and not less. Also, it would matter if they spend the extra money on locally produced goods and services as opposed to imported items. Empirical studies conducted in USA, UK, South Africa, Scotland and Canada suggest that no job losses are likely to result from a reduction in tobacco consumption in the society. Characteristically, expenditure switching by the smokers results in more spending on recreational, food and

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education outlays. Such production processes are commonly more labour intensive than cigarette manufacturing. Besides, switching expenditures from tobacco to other consumption items has some other advantages too. In the case of the developing countries, the majority of whom are net importers of tobacco products, such expenditure switching reduces the so-called balance of payments problem.

The second reason why tobacco control is unlikely to reduce jobs is this: in the short term tobacco control policies are more likely to reduce the rate at which people take up smoking and not reduce the absolute number of smokers. Empirical analysis shows beyond any doubt that decline in tobacco consumption is a slow process. At the global level, if the anti-tobacco policies are well co-ordinated and become effective, the current 1.1 billion smokers will grow at a lower rate than otherwise. But the current market size is unlikely to shrink over the next few years, possibly even over the next two decades. A similar argument is generally applicable to each and every country. Broadly speaking, the increase in population together with a rise in incomes over time would ensure that the market for tobacco products would continue for another 25 to 30 years, at least. This is further reinforced by the addictive nature of tobacco products.

In general, therefore, the fear of employment losses of tobacco control policies is based on poor and partial economic analysis. The predominant majority of the countries in the world have nothing to lose from curbing tobacco products. In the short term no country stands to lose. However there are a handful of countries that need to manage the long term very carefully. These are the countries for which tobacco constitutes a major economic activity or a major source of foreign exchange earnings. Zimbabwe is a case in point insofar as its export is heavily dependent on tobacco; e.g. nearly 98% of the annual tobacco production is exported earning 25% of the country’s foreign exchange earnings. The same is true for Malawi where tobacco export is major source of national foreign exchange earnings. Countries such as China, India, and Brazil need to take careful measures not so much because of export earnings, but mainly because of the large number of farmers and their dependants involved in the activities related to the tobacco industry. Part of the long-term management of the situation for these countries may well lie in a co-ordinated and collaborative international pact in search of a global solution for the problem.
IV. GLOBAL CURBING OF TOBACCO USE: THE ROLE OF WHO

One of the most startling scientific projections of the World Bank report is captured in Figure 5 below. It suggests that if the current pattern of consumption continues, tobacco is likely to kill nearly 450 million smokers over the first half of the next century. On the other hand if government interventions are introduced aiming at halving the number of young people taking up smoking between now and 2020, then over 20 million lives could be saved. However if a set of interventions aiming at both young and existing adult smokers is effectively implemented, nearly 200 million lives could be spared of whom at least two thirds live in the developing countries. This is an unprecedented public health challenge that needs a co-ordinated and well-implemented remedial strategy.

![Figure 5: Unless current smokers quit, tobacco deaths will rise dramatically in the next 50 years](image)

The international lead agency primarily tasked to take up the challenge is the WHO. In May 1996, WHO’s member states adopted the resolution to initiate the preparatory work for the establishment of a framework convention for tobacco control (FCTC) world-wide. Towards the development of FCTC, WHO has initiated a new project entitled, the Tobacco Free Initiative (TFI). When in place, FCTC would be a global legal instrument to curtail any further expansion in the current tobacco epidemic, particularly in the developing countries. The FCTC in turn would pave the way for a series of ‘protocol agreements’ pertaining to specific aspects of tobacco control.
There is little doubt that the process of concluding the FCTC and its associated protocol agreements are likely to be protracted and riddled with country and region-specific complexities. Yet the political will has to be generated to overcome such procedural obstacles. As I have argued earlier in this paper, the tobacco health hazard has become a global challenge, needing a global solution. Like many other areas of post-industrial era, a rapidly integrating socio-economic dispensation has brought mix fortunes for human communities. To deal effectively with many of these issues, be they related to public health or any other aspect of human welfare, there is need for a new paradigm in thinking and in social governance. Creating a new framework for the collective welfare of humanities would need to be driven by a set of basic principles acknowledging, first and foremost, the oneness of humanity and a collective commitment to carrying out global social governance responsibly.

With respect to averting a global human tragedy caused by smoking addiction, WHO has taken the lead. For it to succeed, much support is needed from the politicians, the scientific community, the multilateral institutions, the NGOs and the social activists around the globe.

V. CONCLUDING REMARKS

In summary then, the World Bank report is a path breaking initiative in putting together a body of theoretical and empirical research with a view to extract an action plan for governments world-wide. As importantly, the report has considerable implications for WHO’s TFI. The World Bank concludes that: “The threat posed by smoking to global health is unprecedented, but so is the potential for reducing smoking-related mortality with cost-effective policies. The report shows the scale of what might be achieved: moderate action could ensure substantial health gains for the 21st century.” (p. 83) Figure 5, above, provides a quantitative illustration of the potential gains in public health from tobacco control. Herein lies the prospect for the FCTC to create a global legal framework that would help countries to adopt and adhere to a set of consistent action plans for tobacco control with substantial public health gains.

It is increasingly evident that in a rapidly integrating world economic order, a great deal of policy co-ordination and harmonisation is needed in areas such as tobacco control. Increasingly,
the systemic requirements of the globalized economy require policy co-ordination and possibly policy convergence. At the regional level, this is particularly significant. Neighbouring countries need to establish effective policy co-ordination so as to ensure efficacy in tobacco control, while at the same time preventing potential fiscal revenue losses.

While WHO is entrusted with the task of championing the public health issues of humanity, it is abundantly clear that much support and collaboration is needed for it to succeed. A prime example of such constructive input is the World Bank’s report that demystifies the economic issues that so often confront the governments, particularly in the developing worlds. Other multilateral and regional organisations have much to offer in this regard. Practical ways have to be found in order to create the effective network needed to deal with the looming global crisis caused by smoking.

I cannot do better than to end this overview paper with a commentary on the World Bank report, *Curbing the Epidemic*, from Dr Brundtland, the Director General of WHO. She states: “Tobacco is a major killer world-wide. The biggest cost from tobacco is the enormous toll it brings from disease, suffering and family distress. Health, and not economic arguments, are the reason for controlling tobacco, but economic arguments are raised as an obstacle to tobacco control policies. This report provides an extremely useful, and timely, examination of claims that often hinder many governments from acting to curb a global killer.” (World Bank, 99a)

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4. For a detailed analysis of systemic issues of a globalising society, see Commission on Global Governance (1996).
Selected References


World Bank, (1999a): Curbing the Epidemic, governments and the Economics of Tobacco Control, The World Bank, Washington DC, USA