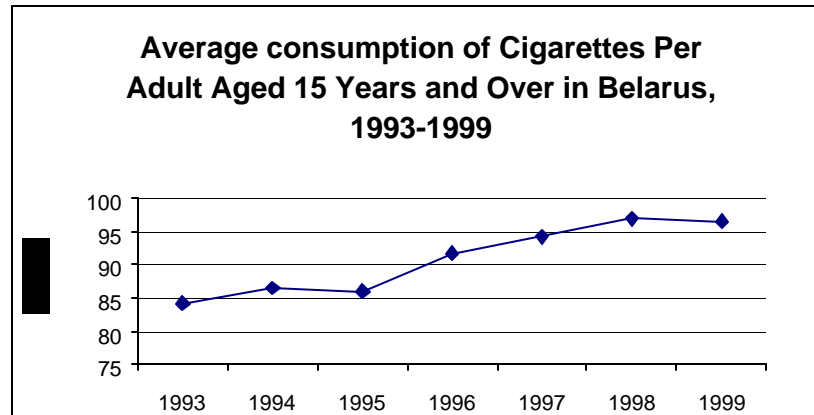


Economics of Tobacco in Belarus

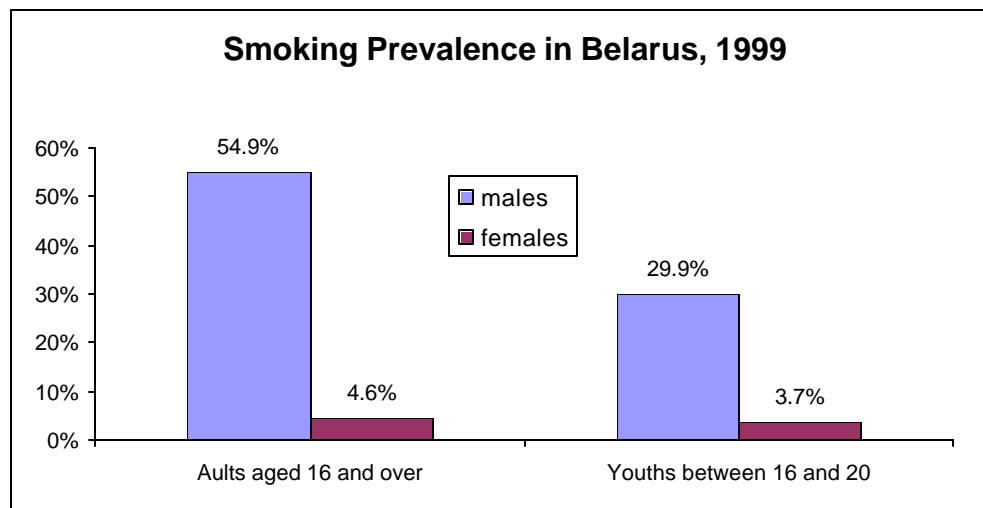
Consumption and prevalence

?? The cigarette consumption level has been increasing steadily in Belarus. Average consumption of cigarettes per adult aged 15 years and over increased from 84 packs in 1993 to 97 packs in 1999. During the same period, overall cigarette consumption increased by 18%, up from 13,540 million sticks in 1993 to 16,000 million sticks in 1999.



Source: USDA

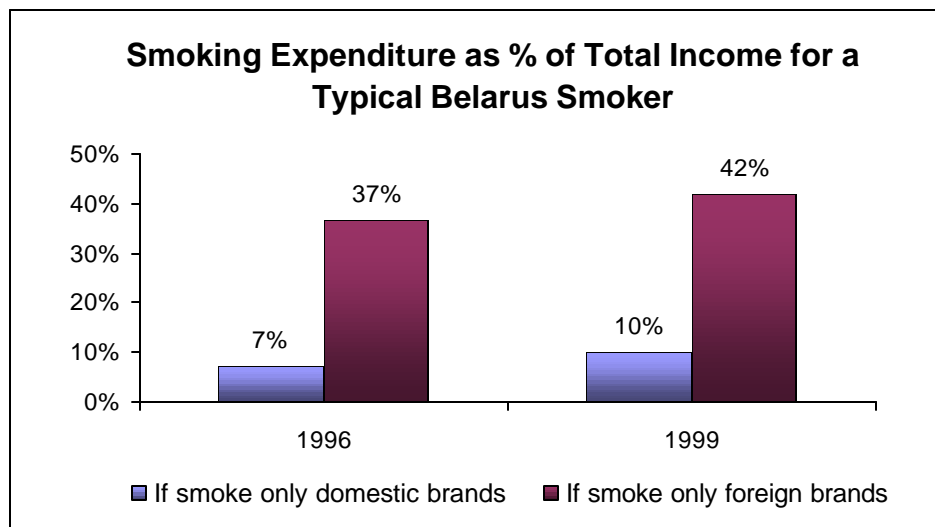
?? In 1999, around 55% of adult males and 5% adult females were smokers. Overall, there were around 2.3 million adult smokers in Belarus. For youth aged between 16 and 20, the prevalence rates were 30% and 4%, for males and females respectively.



Source: Tobacco Control Country Profiles

?? Cigarettes consume significant portion of monthly income in Belarus. In 1996, smokers paid on average 37% of monthly income if smoked entirely imported brands, or 7% of monthly income if smoked domestic brands. In 1999, the percentages

increased to 42% and 10%, respectively. That represents a very high opportunity cost that smokers could have allocated it for some other goods and services. If we assume a more realistic portfolio for an average smoker (80% of domestic brands and 20% foreign brands), then smoking expenditure would cost 13% of his monthly income in 1996, and 16% in 1999.



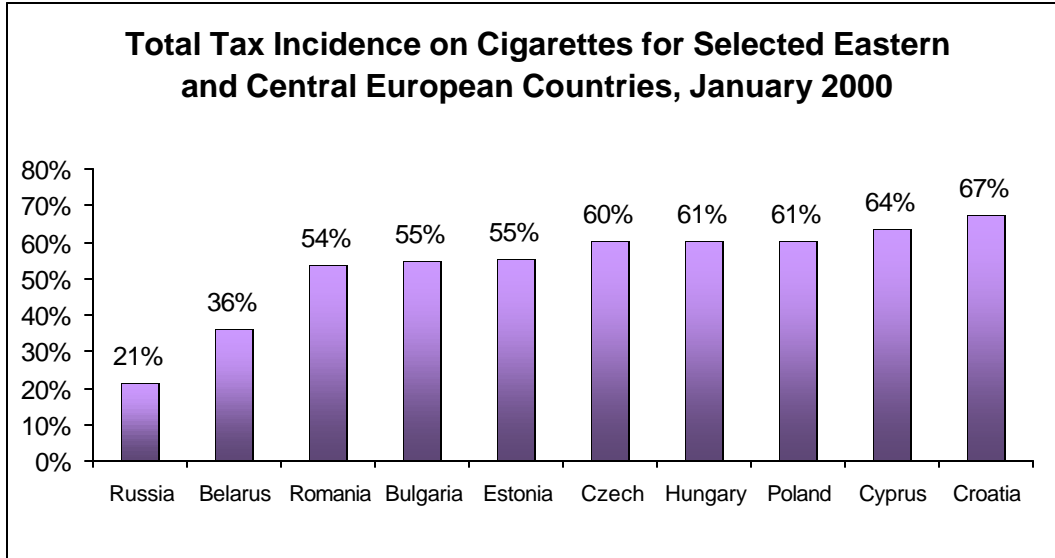
Sources: IMF and The World Bank

Tobacco taxes

?? Belarus has been trying to harmonize its tax rates including tobacco excises with the Russian's tax rates. Since 1993, tobacco tax rates have been declining. Until 1998, Belarus levied ad-valorem tax on tobacco products (% of retail price). During 1993-1996 the tax rate was 60% of the retail price of a pack of cigarettes. In 1996 it was reduced to 30%. In 1998, Belarus changed its tax structure from ad-valorem to specific and set the excise rate 2ECU per 1000 cigarettes. Cigarettes are also subject to 20% VAT (sales taxes).

?? In 1998, excise taxes on cigarettes accounted for around 9% of total excise taxes, or 1% of government tax revenues.

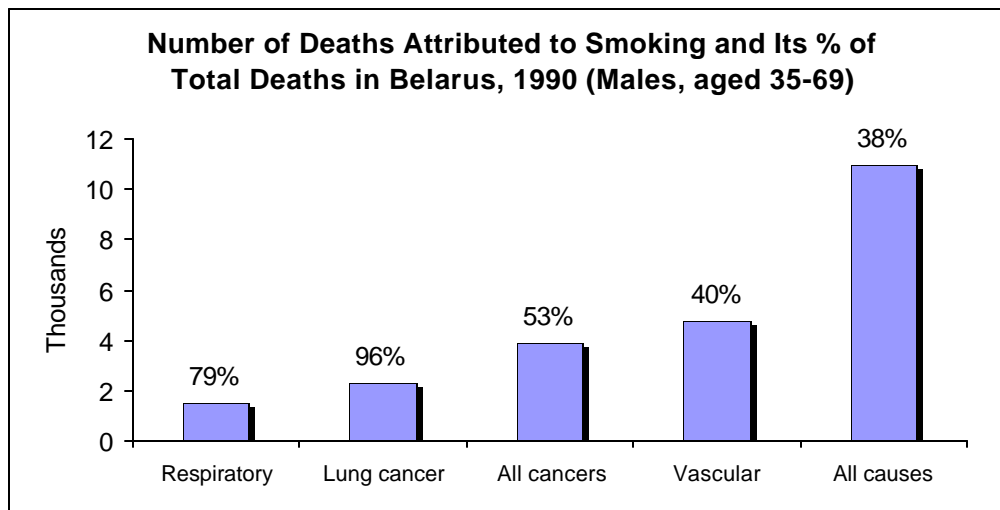
?? Total tax incidence, measured as the percentage of all taxes (VAT plus excise) on the retail price, was about 36% for Belarus in January 2000. This was the second lowest rate among major Eastern and Central European countries, only higher than Russia's 21%.



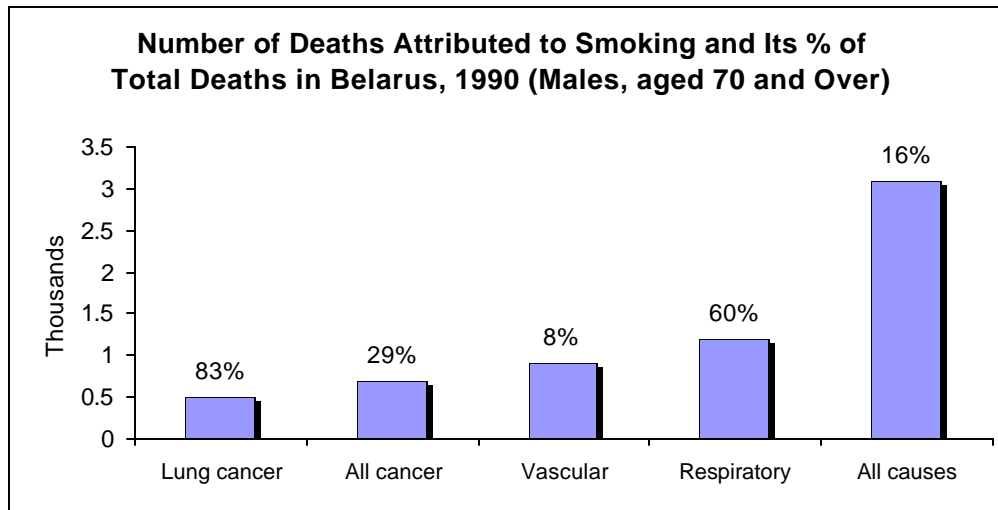
Sources: IMF, WHO and The World Bank

Smoking related deaths

?? In 1990, 96% of Lung cancer deaths for males aged 35 to 69 were attributed to smoking. For males aged 70 and over, around 83% lung cancer deaths were caused by smoking. Overall, smoking accounted for 38% deaths for males aged 35 to 69 and 16% for those aged over 70 in Belarus.

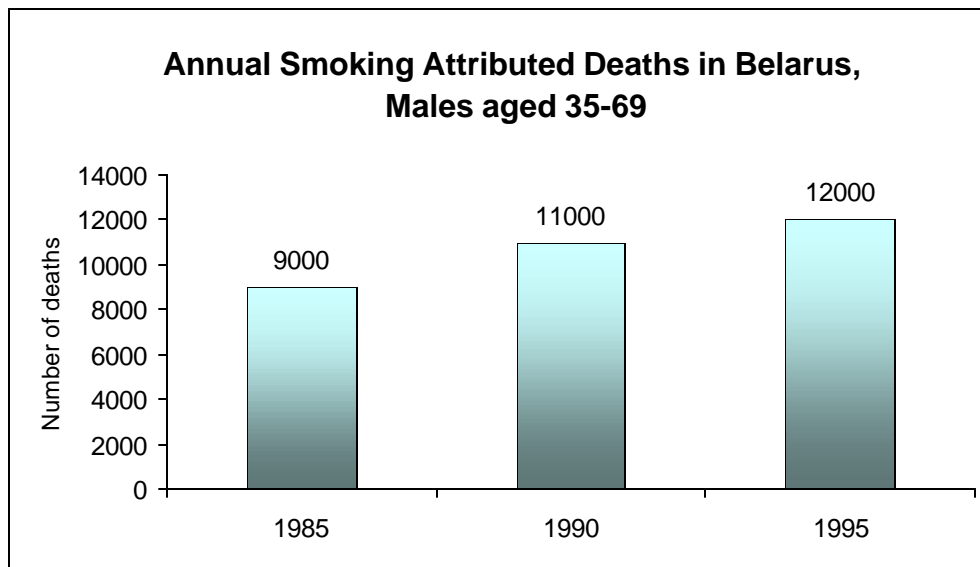


Source: Peto, Lopez et al, 1992, 1994



Source: Peto, Lopez et al, 1992, 1994

?? In Belarus, the number of deaths caused by smoking increased very rapidly. In 1985, 9,000 males aged between 35 and 69 died because of smoking. This number rose to 11,000 in 1990 and 12,000 in 1995. The smoking-related deaths are expected to increase further in the future as the per capita consumption of cigarettes is still rising steadily.



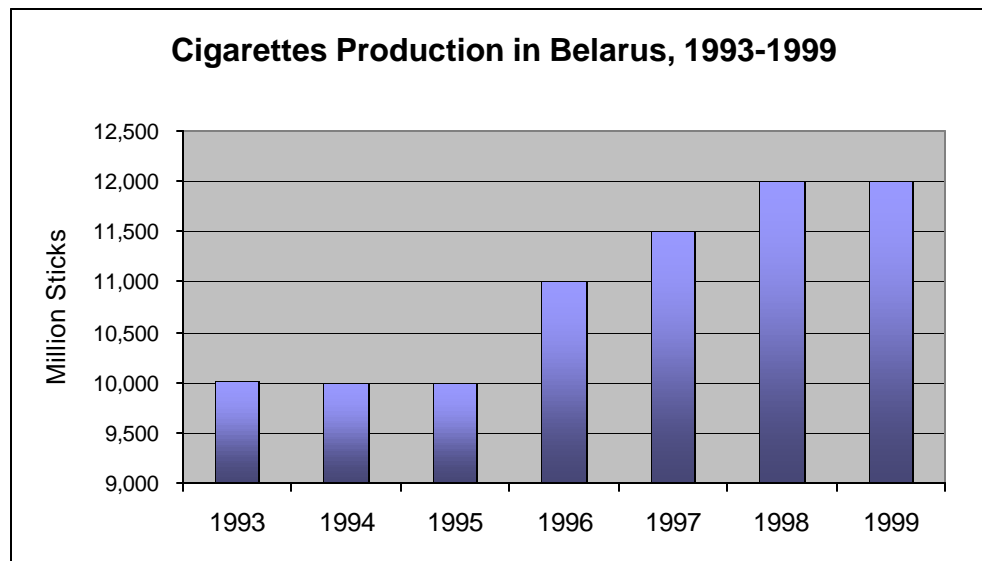
Source: Peto, Lopez et al, 1992, 1994 (1995 number was an estimate)

Tobacco control measures

- ?? There is a ban on advertising of tobacco products in the mass media in Belarus. A health warning from the Ministry of Public Health is required on domestically produced cigarette packets.
- ?? Health education campaigns are organized by the national, regional, and city Centers of Health. The Ministry of Health has issued warnings about the dangers of smoking, including the use of home-produced cigarettes.

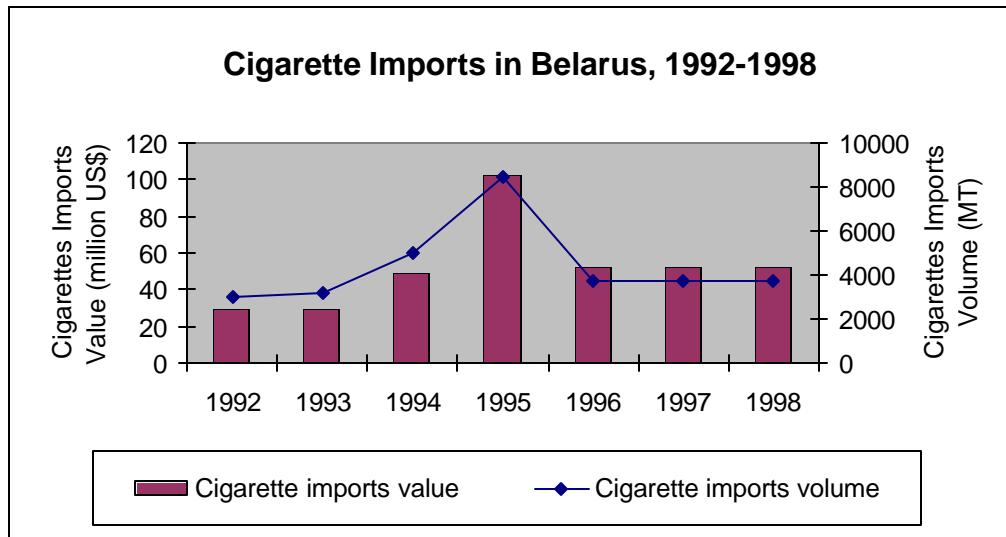
Production and Trade

- ?? Annual cigarette production was around 10,000 million sticks during 1993-95. Then it increased very rapidly in the following 3 years and reached 12,000 million sticks in the period 1998-1999.



Source: USDA

?? Cigarette imports reached US\$103 million in 1995, then decreased to around US\$52 million (around 0.6% of total merchandise imports) in the following 3 years, according to FAO. The only recorded year for export of cigarettes is 1994, when Belarus exported US\$6.3 million worth of cigarettes. In general, Belarus cigarettes are not competitive enough to enter the international market.



Source: FAO