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News Roundup [abridged Versions Appear In The Paper Journal]

Tobacco companies start price war in Poland to offset tax rises

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Anna Gilmore

London

The tobacco industry this week responded to the Polish government's attempts to raise taxes on cigarettes by slashing prices. Poland, like other countries joining the European Union, is required to increase its tobacco taxes to bring them into line with those of the EU.

In response to the tax hikes Gallaher and British American Tobacco introduced new cheap brands and Philip Morris dropped the price of its most popular cheap brand by 15%. Reemtsma, now owned by Imperial, is likely to follow, leaving other companies that cannot afford price reductions in an unenviable position.

The industry had already lobbied successfully for long delays to the deadline for these tax increases, and its latest move indicates how it is likely to respond to tax increases throughout the countries joining the EU.

Cigarette taxes have proved to be one of the most effective means of reducing the number of people who smoke and preventing young people taking up the habit. Any attempts to reduce prices could have major consequences in central and eastern Europe, which have some of the highest rates of cigarette consumption and tobacco related disease in the world.

EU expansion provides major opportunities to the tobacco industry. Ten countries are due to join the EU next year (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia) and two more by 2007 (Romania and Bulgaria). If Turkey joins as well the EU will be the largest single market in the world.

This expansion offers the tobacco industry economies of scale for manufacturing and marketing, a more stable business environment in central and eastern Europe, and potentially greater demand for cigarettes as incomes rise.

“Accession [to the EU] will provide opportunities for the tobacco industry but will not contribute to people's health through effective tobacco control measures across Europe,” said Tamsin Rose, general secretary of the European Public Health Alliance.

“The draft constitutional treaty does not permit legislation on the grounds of public health except on blood products and human tissues,” she said. “Nor have the EU leaders at the intergovernmental conference shown a commitment to making health a priority for the union. Unless this position changes the negative impacts of accession on health will be difficult to mitigate.”