

***Banning tobacco sounds good, it won't work***

The health ministry's decision, reported by Reuters, to apply a rarely used doctrine—"res extra commercium", or outside the scope of commerce—sounds like a great attempt to stub out tobacco. If upheld by the Supreme Court, the decision to deny the industry any legal standing to trade will pave the way for various state governments to ban trade in tobacco; indeed, it was only after the same principle was upheld for alcohol that some states were able to ban alcohol sale and others to impose various restrictions. Given the health costs of tobacco, any move that restricts tobacco is to be welcomed. A PIL on tobacco in the Supreme Court points out that, in 2011, the costs of tobacco-related health issues, including the death of more than 10 lakh people a year—that's one person every 30 seconds—added up to over Rs 1,00,000 crore, or 1.2% of GDP in that year. Given that, between the Centre and the state governments, India spends around 0.9% of GDP on all manner of health issues, it's clearly a losing battle. The issue, however, is whether a ban is a solution, more so since nothing has been done to address the issue of farmers and others involved in the tobacco trade. Indeed, for all the talk of trying to discourage tobacco—taxes on cigarettes are raised in every Budget—the acreage under it has risen from 3.5 lakh hectares across the country in 2001-02 to around 5 lakh hectares today and, production is up from 5.5 lakh tonnes to 8.4 lakh tonnes.

The real problem, as this newspaper has pointed out before, is that the higher taxes apply to only cigarettes which account for a small fraction of tobacco use. While cigarettes pay an excise duty of around 50%, bidis get taxed at around 2-3% and chewing tobacco pays around 5-6%—VAT rates differ from state to state, but are roughly 26% for cigarettes and 8-10% for bidis and chewing tobacco. As a result, while the share of cigarettes in total consumption of tobacco has halved from around 20% in the early 1980s, there has been little drop in overall consumption. In an ideal situation, the government should have been working on raising taxes on all forms of tobacco and, at the same time, also started weaning millions of farmers and tobacco workers and provided them alternative sources of cropping/living. In setting the bar so high, the health ministry's court petition has probably ensured it will fail.