

# Warning: Smoking May Cause More Harm Than Pills

## Japanese Tobacco Industry in Better Shape Than Pharmaceutical Industry: Is It Fair?



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### Unnecessary Paradox

JAPAN is a country full of paradoxes, but the “tobacco paradox” is one we could easily live without: the health industry in Japan seems less popular than the tobacco industry. The pharmaceutical industry, critics say, is making money off people’s sufferings and its products are too expensive for Japan’s budget. Every two years the Japanese government requires pharmaceutical companies to reduce their prices, limits reimbursement, increases generic use, etc. This has a direct effect on their abilities to do R&D and find new solutions for the diseases that plague the world. Today, Japanese drug companies finance their innovation with the money they earn abroad, not with the money they make in Japan.

### Do Smoke

In contrast, the Japanese tobacco industry does not seem to be particularly targeted by the government. One could

even argue that Japan Tobacco (JT), with an amazing share of 64% of the Japanese market, has a kind of public-utility status in Japan. Until 2004 the Ministry of Finance owned 2/3 of JT. Today, MOF still owns half the company. In no other developed country in the world is tobacco treated with such laxism as in Japan. Every time the Ministry of Health, Labor and Welfare tries an initiative that goes against the interests of JT, MOF intervenes and waters it down. Media get huge advertising budgets from JT and rarely target this company. Meanwhile, JT is prosperous. “JT is one of the surest stocks at the Tokyo Stock Exchange,” a financial trader told me. “The government will always back Japan Tobacco.” JT actively sponsors sports and various cultural activities, where its slogan, “the delight factory,” is being deployed in banners. It even pretends to look for cures against tobacco-related diseases; it has a pharmaceutical company, Torii Pharma, which is losing money almost every fis-

cal year (R&D spending of JT on pharmaceuticals decreases every year as well). Any teenager can buy a pack of cigarettes in one of the 600,000 vending machines spread in Japan, at a much cheaper price than in Europe. A pack of cigarettes in Paris costs 5.2 euros, against 320 yen (i.e. 2 euros) in Tokyo. There is another important difference: the size of the warnings of the dangers of tobacco is much less explicit in Japan than in the European Union. In other words the Japanese government does not seem very worried by tobacco.

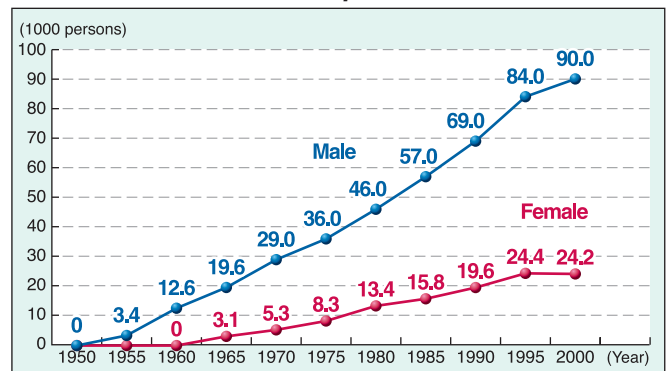
Yet the evils of tobacco are much more obvious than the evils of the health industry. Everybody agrees today that tobacco is bad for health. Very bad, actually. There are five million deaths each year because of tobacco, which translates also into 10 deaths per minute, and 10% of the adult death in the world. According to some estimates, if the current smoking pattern continues, tobacco will cause some 10 million deaths each year by 2020.

Chart 1 Adult smoking rate and cigarette consumption by country

Country	Adult smoking rate (%)			Cigarette consumption annual per smoker*
	total	male	female	
USA	21.6	24.1	19.2	8,731
France	25.4	30.0	21.2	6,484
Germany	32.5	37.3	28.0	5,508
Britain	26.0	27.0	25.0	5,308
China	35.0	67.0	1.9	5,060
Japan	29.6	46.9	14.5	9,865
South Korea	34.7	64.9	4.4	6,767

Note : \*shows data calculated based on the data from WHO’s Tobacco Atlas.  
Source : “The Tobacco Atlas” (2nd edition, 2004), American Cancer society and UICC

Chart 2 Number of deaths related to tobacco smoking in Japan



Source : Ministry of Health, Labour and Welfare: Tobacco or Health (<http://www.health-net.or.jp/tobacco/front.html>)

**Chart 3 Smoking regulations on advertisement by country**

	TV	RADIO	PRINT MEDIA	BILLBOARDS
France	banned	banned	banned	banned
Germany	banned	allowed with restrictions	allowed with restrictions	allowed with restrictions
Britain	banned	banned	banned	banned
USA	banned	banned	allowed with restrictions	allowed with restrictions
China	banned	allowed	banned	allowed
Japan	voluntary ban	allowed	allowed	voluntary ban

Source : National Tobacco Information Online System

### ■ A Third World Country

Japan is still the third largest tobacco market in the world, behind China and the United States, with 29.6% of its population smoking (46.9% of the male population and 14.5% of the female population). Each Japanese smoker consumes on average 9,865 cigarettes per year (*Chart 1*). *Chart 2* from the health ministry shows that more than 100,000 Japanese die from complications of diseases related to smoking every year. Tobacco causes 40% of all hospital illnesses (while alcohol is blamed for more than half of all visits to hospital emergency rooms). The treatment of these diseases is a very heavy financial burden on Japanese taxpayers: on average, according to the ministry, a typical patient treated for stomach cancer, for example, stays for 35 days in hospital; the cost for stay and treatment is on average 2.4 million yen. A surgery operation like gastrectomy, used against stomach cancer, costs 1.1 million yen and forces the patient to stay for 20 days in the hospital.

### ■ Tobacco Not Good for Economy

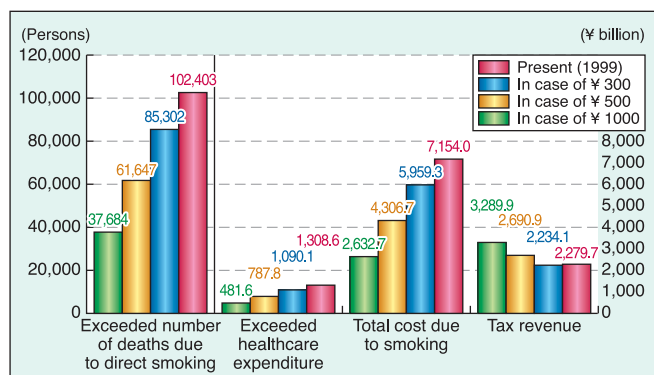
Japan seems to be aware of the public health problem of tobacco. In June 2004, the Japanese government ratified the WHO Framework Convention on Tobacco Control. This treaty is now one of the most widely supported treaties in the history of the United Nations. Yet Japan does not abide by the rules of the treaty. The treaty prescribes a ban on all tobacco advertising, promotion and sponsorship, yet JT is all over sports or cultur-

al events. The treaty prescribes large, graphic health warnings on cigarette packs, yet these warnings are surprisingly mild in Japan (*Chart 3*). It prescribes measures to protect non-smokers from second-hand smoking (most common spaces like restaurants or cafes have smoking corners). It prescribes cigarette price increases, but on this front, too, Japan is lax: the tobacco tax in Japan is relatively low at 63.1% of the total price of a pack of cigarettes (it is 80.4% in France).

Some people argue that the earnings from tobacco do finance public health policies. Yet this point is cynical, and most probably untrue: according to a study by the Japanese Society for Tobacco Control, the cost due to smoking amounts to 7,154 billion yen, while the tobacco tax revenue amounts only to 2,280 billion yen (*Chart 4*). In short, the impact of tobacco on the economy overall is negative.

Japan has a good health system. It should be strengthened by the government with a strong R&D incentive policy, not weakened by authoritarian price cuts that destroy its own industry. The government could actually make everybody happy by raising the tax on tobacco, and turning it into a luxury product. That is what happened in France. The price of a pack of cigarettes tripled between 1991 and 2005 and cigarette consumption increased by 5.7% in price, but decreased by 3.4% in volume. French people now pay more for their cigarettes, and they smoke less. On average, increasing the price of cigarettes by 10% reduces demand by 4% in high-

**Chart 4 Virtual tobacco prices and estimation**



Source : "Investigation and Research Report on Effects and Influences of Tobacco Tax Increase/Institute for Health Economics and Policy, March 2002," Japanese Society for Tobacco Control (<http://www.nosmoke55.jp/>)

income countries, according to the WHO's Tobacco Atlas. After all, tobacco is a pleasure. It should not be taxed as if it was an ordinary product.

### ■ The Wrong Industry

It is true that health costs are increasing rapidly in Japan because of the aging population. According to the health ministry, the health expenditure per capita in Japan is 152,700 yen for someone under 65 years old, and 659,600 yen for someone over 65 years old. In such a context it seems more appropriate to raise the tax on tobacco, which is a luxury, than on drugs, which are necessary. The Japanese Society for Tobacco Control estimates that if the price of a pack of cigarettes went up 500 yen, the number of deaths related to tobacco would go from 102,403 to 37,684 per year; the healthcare expenditure would decrease from 1,308 billion yen to 482 billion yen; and the tax revenue from tobacco would rise from 2,279 billion yen to 3,289 billion yen (*Chart 4*). Shouldn't the Japanese government target those who make health costs increase, like JT, instead of those who prepare the cures for tomorrow? And is it right for the government to control an industry that is so nefarious to the common good of the Japanese people?

I don't think so.

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