

## **SECTION 6. INFORMATION SYSTEMS AND BUSINESS MANAGEMENT**

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### **GENERAL TRENDS IN THE TOBACCO MARKET DEVELOPMENT IN EUROPE**

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#### **Abstract**

The global tobacco market significantly influences the global economy by generating employment and revenue, especially in developing countries. Despite its economic contributions, the industry faces challenges such as declining cultivation in Europe, societal and governmental anti-tobacco pressures, and illegal trade. This article delves into the historical evolution of tobacco production, current consumption trends, and the impact of regulatory frameworks in the European Union. It also examines the Ukrainian tobacco market's development, driven by foreign investment, and the obstacles posed by illicit trade and regulatory issues.

*Keywords:* tobacco market, tobacco industry, economic impact, anti-tobacco regulations, EU tobacco directives, illicit tobacco trade

#### **1 Introduction**

Tobacco production has been a significant economic activity for centuries, with its commercialization dating back to the 17th century in France and Prussia [1]. Recent years have seen a decline in tobacco cultivation in Europe,

influenced by changing socio-economic conditions and increased anti-tobacco measures. [2]

Despite these challenges, the tobacco industry remains a vital source of employment and revenue. Governments benefit from substantial tax revenues from tobacco sales. In Europe, consumption patterns are closely linked to income levels, with higher-income countries showing a decrease in cigarette smoking per capita compared to lower-income countries. The industry also faces significant regulatory pressures, particularly in the European Union, where strict directives aim to control the production, marketing, and sale of tobacco products. [3]

### **Overview**

Global tobacco market plays a significant role in the global economy, providing jobs and revenue for many countries. The tobacco industry is an important source of revenue for many countries, especially developing countries. It provides jobs in production, processing and retail. Governments receive significant tax revenues from the sale of tobacco products, which are used to finance various social programs.

The first countries to commercialize tobacco production were France and Prussia in the 17th century. Simultaneously with the emergence of industrial tobacco cultivation, strict taxation was established [1]. From 1970 to 1997, global production of tobacco leaf in dry weight increased from 4.3 million tons to a record 8.1 million tons. By 2000, tobacco leaf production was established in more than a hundred countries, but about 80% of production was in China, the United States, India, Brazil, Turkey, Zimbabwe, and Malawi. Along with the development of tobacco production, global exports of products grew. [1]

Currently, like in most other European countries, tobacco cultivation is declining. From 1970-2015, the area under tobacco cultivation decreased from 27,000 hectares to 120 hectares. In the 1960s, the largest scale was reached, almost 30,000 tons of tobacco raw materials, and it has only been decreasing since then. According to data in 2010, about 110 tons of tobacco were produced [2].

Today in European countries there is a trend where the consumption of tobacco products correlates with the income of the population. Thus, starting with an income per capita of 30 thousand euros per year, there is a decrease in cigarette smoking per capita (groups of countries from 1600 to 800 cigarettes), while in other countries with lower incomes, the average resident smokes more than 2000 cigarettes per year (Bulgaria, Poland, Hungary, Slovakia, Spain, Portugal) [2].

The global tobacco market is under constant anti-tobacco pressure from society and government organizations. This has a positive impact on the

development of the Ukrainian tobacco market, as this pressure forces Western companies to look for new markets. This has resulted in active investment in the tobacco industry in Ukraine, despite the fact that the country has a less than favorable investment climate.

Thanks to foreign investment, the tobacco market in Ukraine is developing steadily, although it is subject to a number of challenges. For example, illegal trade in tobacco products, counterfeiting of both domestic and foreign products, imperfect legal framework, etc.

In the EU, the rules of conduct for manufacturers and sellers of tobacco products are regulated by such regulations as Directive 2001/37/EC on the approximation of the laws, regulations and administrative acts of the Member States concerning the production, presentation and sale of tobacco products, Directive 2003/33/EC of the European Parliament and of the Council on the Approximation of the Legislative, Regulatory and Administrative Acts of the Member States on the Advertising and Sponsorship of Tobacco Products, as well as the Council of Europe Recommendation on Smoking Prevention and Tobacco Control Initiatives of December 2, 2002.

However, all the rather strict regulations on the circulation of tobacco products in the EU and the increase in the stringency of control over product quality requirements are not yet effective levers to prevent smuggling of tobacco products into the EU. This is one of the complex problems of our time, which includes the reduction of legal production, corruption of officials, unregulated rules of conduct in the market for manufacturers and sellers of tobacco products, and the irrelevance of existing standards for the quality of tobacco raw materials.

Excise tax administration in the EU countries is ensured by the functioning of the institution of excise warehouses and the electronic system for controlling the movement of excisable goods – Excise Movement and Control System (EMCS) [3]. In addition to the electronic system for controlling the movement of excisable goods, a Track and Trace system has been implemented since July 2019 [3].

During Ukraine's integration into the European community, promising measures to modernize the tools for controlling the circulation of tobacco products will be the introduction of electronic excise tax administration systems, monitoring the movement of excisable goods from producer to consumer (Track and Trace), and strengthening the supply security function through an updated authentication method.

### **Conclusion**

Despite its economic importance, the global tobacco market faces numerous challenges. Societal and governmental anti-tobacco pressures have led to shifts in consumption patterns and regulatory measures, particularly in Europe. The Ukrainian tobacco market, supported by foreign investment,

shows potential but is hindered by issues like illegal trade and regulatory inefficiencies. As Ukraine moves towards European integration, modernizing control tools and strengthening regulatory frameworks will be crucial for the sustainable development of its tobacco industry. Addressing these challenges will require collaborative efforts from both national and international stakeholders.

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