INTRODUCTION

According to the World Bank, more than 17 million Vietnamese people smoke, and 40,000 of them die from smoking-related diseases each year. Such a high prevalence has been attributed to the affordability of cigarettes – which, as reported by the World Health Organization, became more affordable in the country between 2008 and 2016. The fact that cigarettes have become more affordable might be attributable to the strong and steady economic growth in Vietnam during the last decade. Vietnam became a middle-income country in 2010, and since then, the Vietnamese economy has grown steadily at over 5% per year. Furthermore, the tobacco industry is actively lobbying against tobacco taxes, falsely claiming that it will increase illicit trade.

The Vietnamese government has recently embarked upon an ambitious tobacco tax reform to lower tobacco consumption in the country. The first step was increasing excise taxes on tobacco products from 65% to 70% in January 2016. This will be raised again to 75% in January 2019. The Ministry of Finance in Vietnam is also proposing a switch from the current purely ad valorem, to a mixed excise tax system, making tobacco products even less affordable to the population.

In response to high ad valorem taxes levied on tobacco products, tobacco companies may strategically segment their products to create a spread of prices across their cigarette brands. This sort of activity may not only enable smokers to downgrade and consume less expensive brands, but it also does not discourage non-smokers from smoking. It has also not been possible to obtain price elasticity data for tobacco consumption in Vietnam in recent years. Price elasticity is an important measure to show the responsiveness, or elasticity, of public demand when the price of the product changes.
This lack of data and research has prevented relevant government agencies from designing well-informed tax policies. Therefore, a survey on tobacco consumption and accurate estimates on price elasticity are called for, as well as accurate predictions of the effects of tax hikes on illicit trade.

THE RESEARCH

This project is led by the Development and Policies Research Center, which was established in 2005 as an independent think tank. It has a reputation for its high-quality and policy-relevant research on a wide range of socio-economic issues in Vietnam and maintains strong relationships with many international organisations and governmental agencies.

The research aims to address the following questions:

1. How will the tobacco industry react in response to changes in tobacco taxation policy?
2. Would the impact of new strategies by the tobacco industry vary across income levels and socio-economic groups?
3. How will consumers change their behavior in response to changes in tobacco taxation?

This study is designed to collect a unique dataset on tobacco consumption across the Vietnam through two surveys, both before and after the proposed tax hike on tobacco products in January 2019. This is to accurately estimate the price elasticity of tobacco products. The target population is both male and female smokers above the age of 15 in Vietnam.

They will then split cigarette brands into different price categories. Based on the cigarette brands reported by the respondents of both surveys, they will report a smoker's choice of cigarette both before and after the tax reform. In addition, the team will also look at whether smokers switch between licit and illicit cigarettes in response to higher taxes. The team will summarise their findings and conduct two workshops - one after baseline survey and other at the end of the project - to present key findings to tax policymakers, tax and public health experts, and related NGOs.Ultimately, this research will track and investigate the response of both consumers and industry to tobacco pricing, to evaluate the effectiveness of government taxation policies and make further recommendations.

THE IMPACT

Tobacco control is central to meeting the United Nations 2030 Sustainable Development Goals (SDGs), notably SDG 1—to end poverty—and SDG 3—to ensure healthy lives. Smoking has been identified to be persistently associated with disease and economic burden. Raising tobacco taxes has been proven as the most effective way to reduce smoking-related inequalities. The findings derived from the research will be used to better inform policymakers to influence the Vietnamese government in the design and implementation of tobacco tax policies, so that existing taxation tools can be used more effectively in tobacco control.

The research findings will be used to inform and support the policymakers in making evidence-based tax policies in the future. It will also serve as a starting point for other developing countries to initiate locally-owned studies on tobacco taxation and improve their tobacco tax structure.