

ESCAPING INDIA'S TOBACCO DEVELOPMENT TRAP – A CALL FOR SECTOR TRANSFORMATION AND ALTERNATE LIVELIHOODS

Lakshmi Ramamurthy, Nissy Solomon, and D Dhanuraj

India's tobacco sector is a double-edged sword: it sustains 45.7 million livelihoods while fuelling a public health crisis that kills prematurely and burdens the economy. Our Civitas white paper identifies a "development trap"—a self-reinforcing cycle in which economic dependence on informal production of tobacco thwarts effective control, leaving 266.8 million users, primarily SLT (Smokeless Tobacco) and beedi consumers, without adequate cessation support while exposing workers to precarious conditions. To escape, India must transform the sector by investing in cessation, prioritising formalisation, fostering innovation, and creating alternative livelihoods that align growth with health.

The trap is evident in the informal economy. Beedi rolling employs millions, often women and children, in exploitative conditions, which is documented in the US Department of Labour's list of goods produced by children and forced labour. Workers earn meagre wages (₹100/day for 700 beedis) and are exposed to tobacco dust without protection. Workers face significant health implications, with death rates among beedi smokers 64 per cent higher than those of non-tobacco users (Pulitzer Centre).

Informality also characterises much of SLT production, which has historically evaded tax and regulatory oversight, undermining public revenues and control measures. Policy provisions, such as the "cottage industry" tax exemption for unbranded beedis, have facilitated tax leakage and kept cheaper, more harmful products widely accessible, particularly among low-income populations. This informality sustains poverty, with the lowest-wealth households 2.54 times more likely to use tobacco, facing higher risks and lower quit success.

Politically, the trap deepens. In beedi-dependent regions like West Bengal and Uttar Pradesh, industry influence sways elections, blocking reforms. Tobacco's economic significance to States (0.45 million hectares cultivated, US\$1.45 billion in exports) has made meaningful reforms difficult to achieve. Although India has committed internationally through the WHO Framework Convention on Tobacco Control (FCTC) to reduce tobacco-related harm, policy decisions

sometimes contradict this. For instance, production limits on Flue-cured Virginia (FCV) tobacco are eased to boost exports, signalling that revenue is being prioritised over health.

Addressing this public health issue needs reforms that must simultaneously improve public health outcomes, preserve employment opportunities, and maintain or increase government revenue. Tobacco sector transformation must therefore prioritise formalisation, modernisation, and alternative economic pathways.

Formalise by shifting beedi/SLT from cottage industries to regulated factories and adopting Good Manufacturing Practices (GMP). This protects workers from hazards, raises wages, and generates jobs: processing 1 million kg creates 500 direct and 1,500 indirect roles. Complementing this, re-skilling via vocational programmes has proven effective—pilots in Bihar show beedi rollers transitioning to tailoring, yielding sustainable incomes.

Modernise production by adopting a "Produce less, earn more" approach. The recent FCV caps doubled farmer earnings from ₹124/kg (2019–20) to ₹280/kg (2023–24). Biotechnology innovations, such as low-nitrosamine strains optimised for pharma-grade nicotine in Nicotine Replacement Therapies (NRTs), could further enhance value. India exports 9 per cent of global leaf by volume but only 6 per cent by value—capturing processing could add US\$150 million annually, doubling smallholder incomes to ₹14-17 lakh.

A multisectoral Tobacco Sector Transformation Council, anchored under PMO or NITI Aayog, would ensure integrated policymaking. It should include ministries such as Agriculture, Labour, and Biotechnology, alongside key stakeholders, including farmers and manufacturers, with representation beyond the dominance of a single industry player. Its mandate should prioritise integrated policies that balance health, livelihoods, and revenue, focusing on measurable outcomes such as reduced prevalence and disease tracking, with guardrails like carcinogen limits for new products.

Regulatory tools must be strengthened by extending Track-and-Trace (T&T) to all products and launching public reporting apps for violations. This combats illicit trade, often under-represented in surveys like GATS.

Supporting transitions out of tobacco is also essential. Micro-enterprise initiatives, handicraft programmes, and vocational training can protect vulnerable populations, reduce child labour (currently estimated at 1.7 million in beedi rolling), and provide sustainable incomes.

Concerns about job losses are often raised during reform, yet evidence suggests that modernisation and formalisation create better employment opportunities. Reduced tobacco cultivation also frees land for food crops, contributing to food security. A 2 per cent tobacco prevalence could prevent 1.4 million deaths, generating significant healthcare savings. This approach is not anti-industry but pro-progress. By guiding tobacco production through a managed transition, India can simultaneously protect livelihoods, improve public health, and promote equitable development.