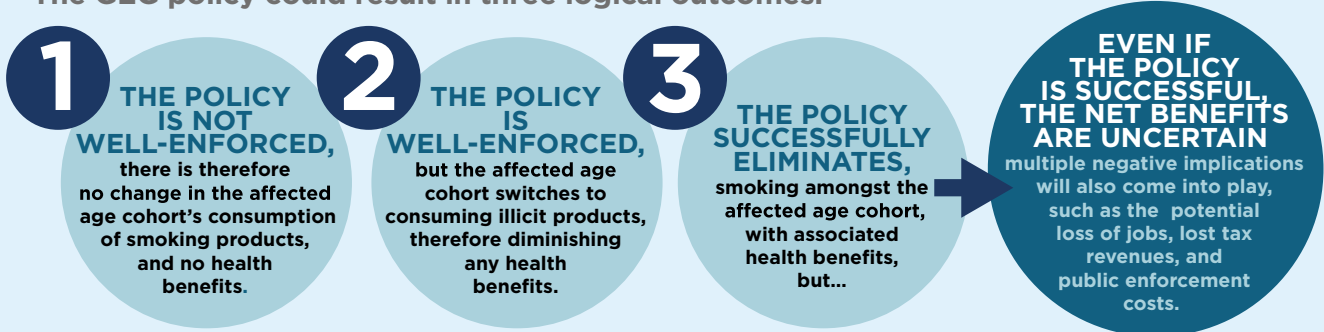


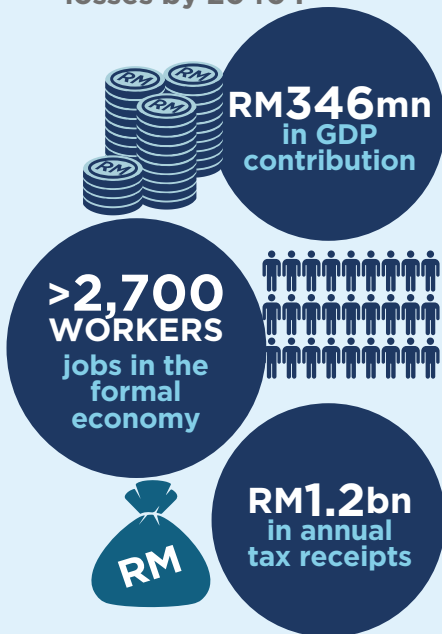
# An Assessment of Malaysia's 'Generational Endgame' Policy

Malaysia's **Generational Endgame (GEG) policy**, tabled in Parliament on 12 June 2023, would prohibit the sale of all types of conventional tobacco and vapour products to people born from 2007 onwards. The policy carries complex implications for society, especially in the context of Malaysia's large illicit cigarette market. Therefore, a thorough, evidence-based appraisal of the costs and benefits of the bill should be undertaken before its implementation.

The GEG policy could result in three logical outcomes:



Potential economic losses by 2040<sup>1</sup>:

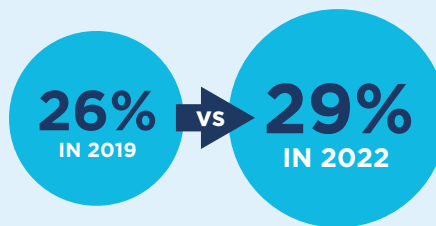


Other negative impacts should also be considered in an appraisal of the GEG policy...



The potential impact on price should be understood against the backdrop of straitened economic conditions in Malaysia...

Share of necessities (food, healthcare, energy) in total consumer spending<sup>2</sup>:

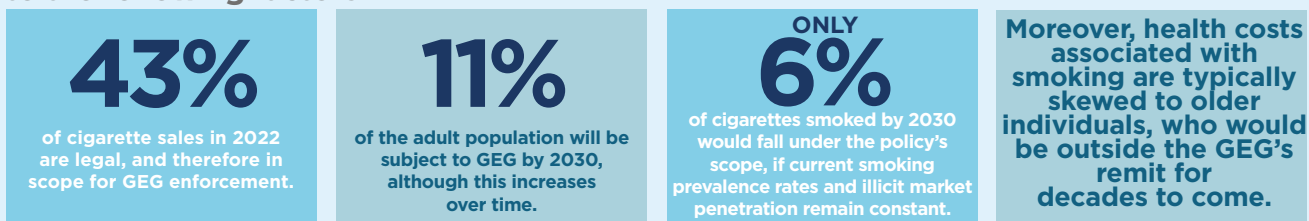


Fall in real earnings:



The incentive to switch to lower-priced, readily available illicit tobacco products could be increased.

If smoking related healthcare costs are on track to rise to RM 8.8 bn by 2030<sup>3</sup>, only a fraction of these costs would be reduced by the GEG over that time period, due to the following factors:



<sup>1</sup> The loss in economic activity from the tobacco sector and its supply chain are estimated in the scenario where the GEG eliminates the consumption of legal tobacco for all affected consumers, or results in their switch towards illicit tobacco products. This is a hypothetical scenario, based on UN population projections, and holding constant levels of smoking prevalence and the illicit market share.

<sup>2</sup> The share of the necessities is calculated using Oxford Economics' proprietary data on the share of consumer spending expended on food, energy, and healthcare in Malaysia.

<sup>3</sup> The former Malaysian Health Minister justified the bill by saying the RM 8.8 billion projected annual costs of treating three well known smoking related illnesses by 2030 outsized the RM 3 billion tax revenues from the tobacco industry. In the absence of more details behind the former Health Minister's claim, it is not possible to assess the accuracy of these healthcare cost projections.