

MEDIA RELEASE

OECD finds illicit alcohol a threat to society

Calls for strengthening enforcement and imposing sanctions

Alicante, Spain, June 16, 2022 – Today the Organization for Economic Co-operation and Development (OECD) released a critical report bringing to light the public health dangers and the negative economic impacts caused by the explosive growth of illicit trade in alcohol. The report, “Illicit Trade in High Risk Sectors: Illicit alcohol and implications on public health and criminal networks,” was presented to a meeting of government officials hosted by the EU Anti-Fraud Office (OLAF) and the EU Intellectual Property Office (EUIPO) to improve combatting IPR crime in the wine and spirits sector.

As part of its ongoing mission to mitigate illicit trade in vulnerable sectors, such as pharmaceuticals, counterfeits and wildlife, the OECD’s Task Force on Countering Illicit Trade undertook a year-long investigation into factors that enable illicit trade in alcoholic beverages. The findings are stark and the urgency for a government response is evident. The report clearly outlines significant health risks to consumers worldwide, draws ties to organized crime, delineates far-reaching impacts on tax revenue and the economy, and shows that the COVID-19 pandemic has exacerbated the problem by adversely strengthening the market forces that drive illicit alcohol.

“Once again, OECD has exposed how and why illicit trade can permeate markets and wreak damage on consumers, economies and the legitimate businesses that have become vulnerable to this type of covert criminal activity,” stated Jeffrey Hardy, Director General, Transnational Alliance to Combat Illicit Trade. **“The value of OECD’s policy recommendations are huge, here in the OECD and around the world where so many countries look to OECD for guidance on growing and protecting their economies.”**

In terms of damages, the OECD report shows that “Illicit alcohol trade: i) deprives governments of tax revenues that would otherwise have been paid had the goods been sold in approved channels; ii) reduces sales by legitimate, tax-paying businesses and tarnishes their reputation when inferior, illicit products are sold under their brand; and iii) diverts resources to organized criminal groups and; (iv) generates staggering public health costs.”

The report also explains how illicit traders exploit the price and excise tax differentials between illicit and legitimate alcoholic beverages across countries. According to the report, these differences are a principal factor driving illicit sales of alcoholic beverages.

“While it’s clear that criminals exploited the pandemic to expand their operations, illicit alcohol was already a significant problem in markets worldwide,” said Mr. Hardy. **“This report helps us all understand the urgency of stopping illicit trade in alcohol and gives us important tools for improving laws, regulations and much-needed controls. We look forward to working with OECD, its member states and governments around the world to raise**

awareness on these issues and implement practical solutions to protect consumers from illicit alcohol.”

The OECD report lays out a number of policy considerations addressing taxation, deterrent penalties, smuggling, corruption and growth in online sales. In addition, OECD highlights the need for coordination between countries to prevent counterfeiting or smuggling. National government agencies in different countries need to align fiscal, health, and security priorities, and different levels of government (federal, state and municipal) need to coordinate to ensure consistency and mitigate potential corruption.

“We’re also pleased that OECD has recognized the value of working with the private sector,” said Hardy. “Legitimate businesses understand the market and their customers, and they have valuable expertise and experience to contribute to solving this problem.”

About TRACIT

The Transnational Alliance to Combat Illicit Trade ([TRACIT](#)) is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilizing businesses across industry sectors most impacted by illicit trade.

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