

Colombian laws banning the sale of alcohol drive markets for illicit trade

TRACIT calls on Colombian government to repeal measures restricting the legal alcohol market

WARNING

Colombian prohibitions on alcoholic beverages drive markets for illicit alcohol, present dangerous risks to consumers, encourage criminality and sideline legal jobs and growth.

TRACIT acknowledges the severity of the COVID-19 crisis and understands the need for rigorous and sustained action from governments in these unprecedented times. In this regard, TRACIT recognizes the intent of Colombian Presidential Decree 457 to minimize the spread of COVID-19, such as through social distancing.

However, TRACIT is deeply concerned about the negative effects of the Decree's specific provision banning the consumption of alcoholic beverages in public places. We do not agree that this is an effective public health measure over any time period, and certainly not now that several Colombian cities and departments have indeterminately extended the alcohol consumption ban past the initial prohibition phase ending 12 April 2020.

The negative effects of COVID-19 related dry laws have already been reported in other countries that had initially restricted supply of alcoholic beverages. Such prohibition laws promote the development of a parallel illicit market, represent immense tax losses for governments and severely jeopardize consumer health.

- In Mexico, more than 100 people have recently been killed by unknowingly consuming tainted, toxic illicit alcohol. Prior to the Mexican government's enactment of the COVID-19 dry laws, there were no reports of fatalities linked to the consumption of illicit alcohol.
- In India, the government lifted alcohol bans in response to rapid and significant excise tax losses.
- In South Africa, the illicit trade of alcohol is now bigger than it has ever been, effectively increasing from 15% to 100% of the market.

In Colombia, similar trends have been reported. The artificial shortage in legitimate product supply caused by the Colombian dry laws, combined with an alarming rise in the use of e-commerce and other online platforms to commercialize illicit alcohol have driven the commercialization and distribution of illicit alcoholic beverages.

The government-induced supply shortages are also encouraging the presence of organized crime and strengthening informal markets for illicit alcohol in Colombia – which already stands at 22 percent. As reported by the Global Initiative Against Transnational Organized Crime, “the disruption caused by Coronavirus has been quickly exploited by some criminal groups as a ‘window’ to scale up their activities [...], and the fact that the attention of police and policymakers is currently focused elsewhere has cast a shadow that has allowed some criminal groups new scope to operate in the realm of illegal markets.”

The alcoholic beverage sector is a major contributor to the Colombian economy. This includes millions of jobs across a long supply chain of manufacturers, importers, local distributors, wholesalers, hospitality outlets and licensed vendors. Ironically, the Colombian restriction on the alcoholic beverage sector deprives its own treasury of much-needed fiscal revenue, stripping the government of income intended for public investment and services. Moreover, the unintended consequences of prohibition on future fiscal capacities must not be underestimated. Crisis-based supply restrictions strengthen long-term market viability for untaxed illicit substitutes and, consequently, erode market shares for legitimate businesses including their ability to create and maintain jobs.

The spike in the demand for illicit alcohol also presents severe health risks to consumers. The main hazards associated with illicit trade in alcohol are linked to end-products that do not comply with sanitary, quality and safety regulations, and are contaminated with toxic chemical additives. The potential harms of illicit alcohol are so severe that the Health Minister of the Dominican Republic has declared that the consumption of illicit alcohol has caused more deaths than COVID-19 in his country.

TRACIT does recognize the Colombian government’s long run endeavors to curb illicit trade in alcoholic beverages. In particular, TRACIT has welcomed the ongoing development of specific measures to control the production and distribution of alcohol not meant for human consumption, as criminal organizations often misuse surrogate products to produce illicit beverages. Along with other market-based solutions, these measures have significant potential to mitigate Colombia’s long-standing fight against illicit trade of alcoholic beverages.

In order to reverse the situation before it worsens TRACIT calls for immediate action by:

The Colombian government

- To repeal all measures that ban or prohibit the consumption of legal alcoholic beverages in its territory.
- To ensure availability and access to legitimate products.
- To follow the approach of countries that have deemed alcohol beverages to be essential goods.

Industry/private sector

- To fully respect social distancing protocols across the entire supply chain (manufacturing, distribution and sale), ensure responsible service of alcohol and provide responsible consumption information to consumers and the broader public.

- Lead and support anti-illicit alcohol campaigns to protect public health, government revenue and support the legitimate value chain.

Internet platforms

- To review the current content posted on their websites and remove illegal postings.
- To develop and deploy programming to block and prevent posting content for the sale and distribution of illicit alcohol products.
- To educate users that bad actors may exploit digital platforms for the sale of counterfeit, mislabeled and fraudulent products that could pose health risks.
- To report illicit alcohol providers to law enforcement.

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For more information

The TRACIT statement on Illicit Trade in context of COVID-19 Product Fraud along with other resources can be found here: https://www.tracit.org/covid-19_alcohol.html

About TRACIT

The Transnational Alliance to Combat Illicit Trade ([TRACIT](#)) is an independent, private sector initiative 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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