

Illicit Trade in Alcohol

Challenges and Solutions



A Briefing by the Transnational Alliance to Combat Illicit Trade

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Introduction

Illicit trade in alcohol is widespread, representing significant percentages of alcohol consumption worldwide and stripping governments of billions of dollars in tax revenues. According to Euromonitor's 2018 Global Study on Illicit Alcohol, 1 in 4 alcohol bottles are illicit, representing 25.8% of all global consumption.¹ These findings correspond to World Health Organization (WHO) estimates that unrecorded alcohol accounts for 25.5% of total worldwide adult alcohol consumption and is projected to increase to 27.7% in 2020.²

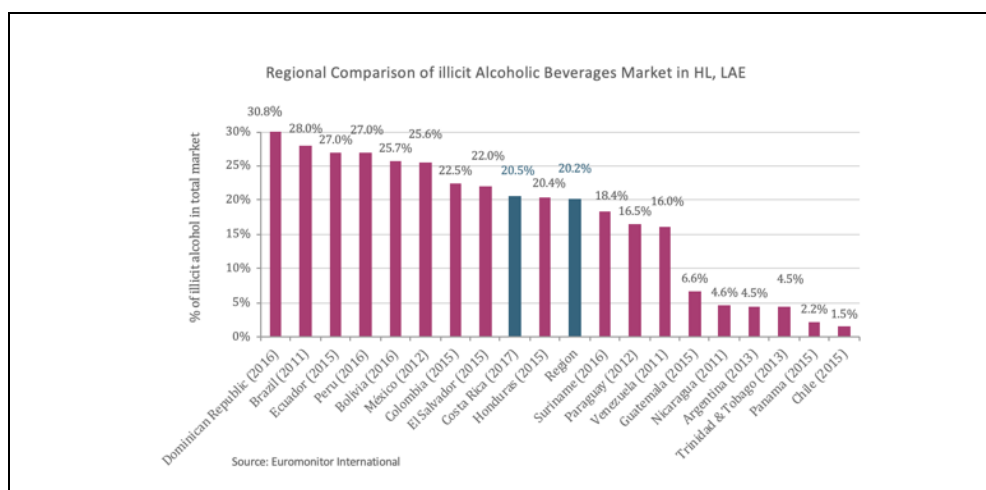
Although market characteristics differ across countries, the problem of illicit alcohol exists in every region, in developed and developing countries, urban and rural areas, and higher-income and lower-income neighborhoods alike. Similarly, there are a wide variety of factors that drive markets for illicit alcohol, related to consumers, business practices and government policies.



In almost all cases, illicit trade in alcohol results in serious health risks to consumers, revenue loss, and brand degradation for legitimate manufacturers, as well as reduced tax revenue for governments. Health risks tend to affect the poorest and most vulnerable consumers by contributing to widening health inequalities.

Scale of the problem in Costa Rica

According to a 2018 study by Euromonitor, 20.5% of alcohol, or 1 out of every 5 bottles, is illicit in Costa Rica.³ This puts Costa Rica near the LATAM regional average, higher than markets such as Guatemala (6.6%) and Trinidad & Tobago (4.5%), but lower than El Salvador (22%) and the Dominican Republic (30.8%) and almost equal to Honduras (20.4%).

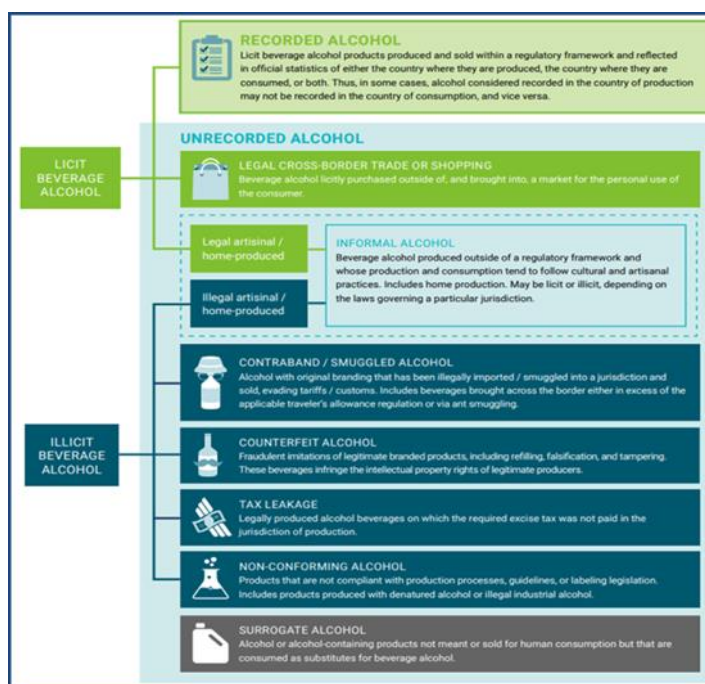


In Costa Rica, contraband alcohol represents 89.9% of the demand for illicit alcohol, which is very high compared to the regional average of 16.9%. This is in part driven by low consumer awareness that underpins a sense of acceptability, as well as limited government resources for inspections and confiscations. In total, the fiscal loss due to illicit alcohol in 2017 was US\$ 94.3 million, with contraband responsible for over 91% of the revenue losses.

Types of illicit alcohol

The landscape of illicit alcohol is varied and complex. These products can range from homemade artisanal beverages sold without manufacturing/ trading licenses or proper sanitary permits to counterfeits, fakes and legitimately branded bottles of alcohol smuggled illegally into a country.⁴

Illicit alcohol is comprised within the umbrella of unrecorded alcohol – which constitutes a substantial portion of the total alcohol consumption per capita among adults. Unrecorded alcohol refers to alcohol that is not accounted in official statistics on alcohol taxation or sales in the country where it is consumed. This is because it is usually produced, distributed and sold outside the formal channels under government control.



Health risks

Illicit alcoholic beverages present health risks to consumers primarily because they are unregulated and not subject to the stringent requirements and quality standards of legally produced beverages. In many instances, these products are produced using toxic compounds including cheaper or toxic types of alcohol which can have serious adverse health effects. Illicit operators, for example, may add ethanol to increase the potency and this may cause alcohol poisoning resulting in liver damage, kidney failure and cancer risk. Substitutes for ethanol are also used in the production process which can include chemicals used in cleaning fluids, nail polish remover and automobile screen wash. These products are often laced with methanol and isopropanol (i.e., components of antifreeze) – which if consumed can lead to serious injuries including death and blindness. Moreover, manufacturing facilities are often beyond the reach of health and safety inspectors, and production methods are unsanitary including the use of contaminated water.⁵

Globally, toxic forms of illicit alcohol take many lives all over the world, from Iran, Turkey, Indonesia and Mexico. In India, 2019 was punctuated by two of the country's worst illicit alcohol tragedies. In February, illicit alcohol consumption in Assam led to 150 deaths and 200 injuries, and later that month, another 100 people from Uttar Pradesh and Uttarakhand died from consuming tainted alcohol.

Costa Rica is not immune and in June and July this year 59 people were hospitalized for ingesting illicit alcohol laced with methanol, a colorless, poisonous alcohol found in antifreeze, resulting in 25 fatalities.⁶ Taking these disparate tragedies together, it is critical that steps are taken to increase consumer awareness to prevent situations where more lives are lost.

Fiscal risks

Widespread smuggling and local production of illicit and counterfeit alcoholic drinks strip governments of income intended for public investment, with relatively more severe impacts on developing countries. According to Euromonitor, the total fiscal losses from illicit alcohol in Costa Rica was US\$ 94.3 million in 2017.

Similar fiscal losses are experienced worldwide:

- According to a multi-regional study by Euromonitor, the fiscal loss to governments across 24 countries in Africa, Eastern Europe and Latin America is as much US\$3.6 billion every year.⁷
- A 2016 report by the EU Intellectual Property Office (EUIPO) shows that the production of fake spirits and wine leads to a loss of €1.2 billion in government revenues, of which €739 million are excise duties.⁸
- Fake and unlicensed alcoholic products in Kenya are estimated to be 30% of the market and include the use of fake Kenya Revenue Authority (KRA) stamps to evade taxes.⁹ The illicit products have led to government losses of billions of shillings in unpaid taxes.¹⁰
- Myanmar’s government lost US\$50 million in tax to beer smugglers in 2016, with up to 30% of all the beer sold in the country illegally imported.¹¹

Threat to sustainable development

Costa Rica is strongly committed to the 2030 Agenda for Sustainable Development and has taken significant steps to achieve the Sustainable Development Goals (SDGs).¹² For example, in September 2016, Costa Rica became the first country to sign a “national pact” for the SDGs. Under the 2015-2018 national development plan, the government set out programs and projects corresponding to each of the SDGs.¹³

However, the recent study by TRACIT “[Mapping the impacts of illicit trade on the UN Sustainable Development Goals](#)” shows that the socio-economic impacts of illicit trade present significant deterrence to all 17 of the SDGs – holding back progress, increasing costs and pushing achievement of the goals further away. Illicit alcohol trade is no exception.



Notably, illicit trade in the alcohol sector undermines SDG 3 (Good Health and Well-Being) and specifically SDG Target 3.9, which aims to substantially reduce the number of deaths and illnesses from hazardous chemicals and the mortality rate attributed to unintentional poisoning. The presence of cheap illicit alcohol on the market can also undermine government policies aimed at reducing the harmful consumption of alcohol. When it generates revenue for organized criminal groups, illicit alcohol trade also undermines goals for peace and stability (SDG 16). Illicit trade in alcohol also undermines SDG 8 (Decent Work and Economic Growth), as it diverts income from legitimate businesses and robs governments of taxable income that can be invested in public services (SDGs 9 & 17). Finally, illicit trade threatens legitimate alcohol company's investment in innovation, product development and intellectual property rights, thereby undermining SDG 9 (Industry and Innovation).

The problem necessitates better policy and regulation

Governments employ a variety of regulatory and legal mechanisms to control harmful consumption of alcohol and to combat illicit alcohol, with differing degrees of success. Many frameworks are ineffectively designed, offer only partial solutions, or are inadequately enforced or resourced. Some mechanisms may even unintentionally boost illicit alcohol consumption by making it more difficult for consumers to access or afford licit beverages.

In Costa Rica, insufficient government resources and limited efforts to educate consumers has enabled a growing demand for contraband alcohol smuggled from neighboring countries.

To fight the problem, the Costa Rican government has taken steps to prevent illicit trade in recent years, including the implementation of online platforms that enable consumers to report illicit vendors and tighter laws to punish smugglers (law 9328 passed in 2015). The Fiscal Police has also intensified the control process at the borders and focused on the big contraband bands, which usually carry higher volumes, instead of small amounts smuggled through the border, increasing confiscations by 381% 2014-2017.

But with illicit alcohol still holding roughly 25% of the market, more needs to be done to curb this threat. TRACIT recommends that Costa Rica consider a portfolio of recognized policy and regulatory controls that can help control illicit alcohol:

- **Raise awareness of illicit alcohol**, particularly at the grassroots level with emphasis on the severe health risks associated with consumption of illicit alcohol. Awareness campaigns should educate consumers the negative economic impacts, such as lost tax revenues that could have been invested in schools, roads or other much needed infrastructure. Consumers should also be educated on how they are likely benefitting criminal bands when they buy illicit alcohol. Moreover, awareness campaigns must also consider the harmful drinking patterns that are associated with consumption of unrecorded alcohol.
- **Improve accessibility of legal products** at affordable prices and increase the density of legal outlets to stem demand for illicit products. Increasing the number of legal retail outlets that sell legitimate alcohol is an effective way to curb the sale of illicit alcohol. Effective monitoring of retail outlets is also crucial to ensure that these units do not trade in illicit alcohol. Strategies that seek to effectively regulate the commercial availability of alcohol are also important ways to reduce the general level of harmful use of alcohol. This is especially true in rural areas where the density of shops is particularly low and the ease of access to unregulated alcohol is high.

- **Enforce laws and impose sanctions and penalties** at levels sufficient to deter criminal activity. This includes strengthening control in the blind spots, especially on the border with Panama and Golfito, to detect smugglers and unusually large purchases, which can later be re-sold somewhere else in the country. Effective enforcement of laws requires coordination among border countries, national government agencies (revenue, border, police, health, etc.) and different levels of government. Moreover, imposing administrative, criminal and civil penalties for illicit trade in alcohol should be a priority to prohibit illicit traders from exploiting markets with the weakest penal regimes. Consideration must also be given to rescinding business licenses from retailers, manufacturers and distributors involved in illegal trade. As contraband beverages such as whiskey and vodka are the most common form of illicit alcohol, it is necessary to assess more carefully their origin.
- **Rationalize tax policies and subsidies** to ensure that they do not incentivize illicit trade, smuggling, adulteration and theft. Tax policies need to account for various demand-related factors including overall consumption, price, income levels and the ensuing affordability of products.
- **Promote the creation of local private-public partnerships** to bring key industry and government stakeholders together to define strategies including: developing and deploying technology solutions based on internationally recognized open standards to protect the integrity of products and supply chains; ensure easy sharing of intelligence and data to improve risk assessment and border control; improving awareness; expanding the knowledge base; and finding new ways to tell apart legal from illicit beverages. In Costa Rica, the Mixed Commission is potentially a valuable mechanism for business to collaborate with government. However, the Commission must be sufficiently resources and empowered to implement and enforce policies and controls.
- **Multi-sector engagement is necessary** because no one sector by itself can address the complexities of illicit trade. Like endeavors in other areas, efforts to reduce the harmful effects of alcohol and reduction of illicit alcohol can benefit from working together.

Further considerations on the use of tax stamps as a tool to counter illicit alcohol

In light of the recent draft bill in Costa Rica's National Assembly proposing the implementation of a Tax Stamp Fiscal Regime, it is critical that policy makers and legislators closely examine the cost and benefits of the fiscal marking scheme before considering its introduction.

Fiscal marking and tax stamps have emerged as a potential regulatory approach for increasing tax revenue and reducing the illicit alcohol market. However, the implementation of these programs is costly and their actual impact on smuggling, counterfeit and other forms of illicit alcohol trade are mixed.

For these reasons, governments have an incumbent responsibility to carefully scrutinize public policy proposals and regulations to ensure proportionality between the effectiveness of potentially curbing illicit trade in alcohol, the cost of the remedy and the potential disruption to legitimate business:

1. Undertake empirical assessments and modelling of proposed tax stamp remedies to show how changes in tax policy and introduction of tax stamps will impact the

- collection of tax revenues, impacts on taxpayers and economic burdens to industry, trade and economic activity.
2. Analyze the specific scale and type of the illicit alcohol (i.e., smuggling vs. domestic counterfeit vs. illicit artisan) to ensure that the solution matches the problem and that a tax stamp system only be introduced for those products where it is likely to have a positive impact. For example, if the illicit market is wholly or largely comprised of informal production by unregistered producers, tax stamps will have little impact.
 3. Collaborate with legitimate industry players most impacted by the regulations to benefit from their market knowledge, technical expertise, supply chain parameters, import/export challenges and full costs of implementing a tax stamp scheme. Moreover, brand owners have the expertise and are often the most knowledgeable in determining best practices within a set of standards defined by the government.
 4. Publicize the results of the assessment to improve commensurate awareness among potential consumers of illicit alcoholic beverages, communicate tax stamp program objectives to government agencies responsible for implementation, and as a matter of sound and transparent public policy.

Implementation of any tax policy—including the introduction of tax stamp schemes—are complicated and will have far-reaching intended and unintended impacts on consumer choice, manufacturing, trade and the actual the mix of legal and illegal product in the marketplace. For these reasons, the following parameters should also be considered:

- **Costs to legitimate industry.** Depending on how they are introduced, tax stamp systems can impose a disproportionate burden on legitimate businesses including costs of equipment, administrative burdens around ordering and storage of stamps, loss of efficiency and disruptions, including slower bottling lines. Tax stamp application can increase the costs of bottling by 7-10% on automated lines and as much as 50% when the stamps are applied manually. These increased costs are particularly onerous for small producers. Moreover, the proliferation of different systems across different jurisdictions exacerbates the costs for business. As different jurisdictions adopt different tax stamp requirements, the cost of administering the system for internationally traded beverages increases exponentially.
- **Impact on price and demand.** Cost increases associated with tax stamps must also be considered in light of upward pressures on prices, which undermines the objective of the scheme by making legal products more expensive to consumers and incentivizing their demand for cheaper, unregulated products.
- **Impact on stopping illicit trade.** In terms of sustainably mitigating illicit trade, fiscal marking/tax stamps do not address the underlying drivers of illicit trade (e.g., excessive tax rates, large tax differentials between neighboring jurisdictions, poor border control and ineffective deterrent and enforcement programs).
- **Relevance to smuggling.** While marking product can aid contraband detection, it will not prevent illicit alcohol from entering the market. Given that contraband product from foreign sources outside Costa Rica represents the single largest form of illicit alcohol in Costa Rica, consideration should be given to whether investments in enforcement, improving capability and capacity to audit manufacturers, and

monitoring the border may be a more effective and less costly approach to mitigating illicit trade.

- **Impact of tampering on effectiveness of tax stamps.** Tax stamps may not be the most tamper-proof way to show that a product is genuine. Although stamps may contain security features to guard against fake marks, the stamps themselves are often easy to counterfeit. Illicit actors often react rapidly, counterfeiting most types of paper tax stamps within weeks of issue. The presence of forged stamps in turn creates a false sense of authenticity and confidence among consumers, undermining the purpose of the stamps to deter acquisition of illicit product, confusing consumers and potentially endangering their health. For example, the introduction of 2D barcodes in India's Uttar Pradesh region did not prevent the death of more 59 people from illicit alcohol poisoning, and the sale of illicit alcohol continues to flourish in the state.¹⁴ Moreover, legitimately stamped bottles are often refilled with cheaper or illicit alcohol.¹⁵
- **Impact on collected tax revenue for government.** In cases where the government finances the scheme, there is inconclusive evidence that tax stamp schemes increase revenue collection compared to the cost of running them. For example, the Ecuador SIMAR system (Sistema de Identificación, Marcación y Rastreo) for domestically produced beer, spirits and tobacco products, has come at a very high cost to the Government with the amount invested in the system far exceeding the additional excise tax receipts. In its first two years, the SIMAR program cost over US\$23 million, but only saw an increase in alcohol tax receipts of US\$7.6 million. If the objective is to mitigate illicit trade, careful consideration should be given to whether investments in tax stamp programs would be better spent on monitoring, control, and enforcement programs.

Therefore, the effectiveness of fiscal marking in preventing illicit trade must be combined with effective monitoring and enforcement measures.

Annex: Case studies

Case study: Diageo

In Kenya during the 1990's a series of tax increases aimed at reducing alcohol consumption and raising revenue saw the legal alcohol market shrink from around 400 million litres in 1991 to about 240 million litres in 2001. By 2003 the illicit alcohol market was estimated to be around 56 percent of total alcohol consumption and was still growing. In response, Diageo developed a new beer called Senator Keg, aimed at lower income consumers, and priced as an affordable alternative to illicit alcohol. Diageo was supported by the Kenyan Government through an excise tax remission which meant the new product was commercially viable and Diageo was able to launch Senator Keg at a price only slightly higher than local illicit spirits.

By 2013, Senator Keg had brought a range of socio-economic and commercial benefits. These included employment of over 12,000 sorghum farmers, KSH 1.5 billion in VAT revenues and a fall in illicit alcohol to around 50%. However, products such as Senator Keg aimed at drawing consumers away from cheap illicit alcohol are highly price sensitive, and this was demonstrated in 2013 when the level of tax remission in Kenya was reduced from 100 to 50 percent. The

impact was an 86 percent fall in Senator Keg volumes. Following the collapse of volumes in 2013, many partners in the distribution chain withdrew from Senator Keg sales. Some stopped trading, others resorted to illicit brew or selling cheap spirits. The number of outlets fell from a high of 12,900 at the beginning of 2013 to a low of 6,750 by the end of the year. Critically the market for sorghum dropped and with it the loss of income for thousands of local farmers.

In 2015, the remission was increased again to 90 percent which allowed Diageo to reduce the price, leading to an immediate increase in volumes, tax remittances, farmer and retailer recruitment and capital investment in the sorghum growing areas: The increased volumes led to increased demand for local sorghum from 2,060 metric tons in 2015 to 21,500 metric tons in 2016. The number of contracted farmers increased from a low of 2,500 in 2015 to 30,000 in 2016, and farmer revenues increased from KSH 67 million in 2015 to KSH 709 million in 2016, an increase of 1,043 percent. Following the return of the remission, the number of outlets had risen to 13,500. The return of the remission saw the creation of over 98,000 direct jobs throughout the value chain.

Case study: AB InBev – Peru

In the last 5 years, the illicit alcohol market has decreased from 31 to 26 per cent of the total alcohol market. At the same time, the difference between the prices of licit and illicit alcoholic beverages in Peru has narrowed significantly from 38 to 25 per cent. Elements of the strategy initiated by AB InBev in 2011, in partnership with governmental authorities and a public-private sector coalition against illicit alcohol include:

An increased awareness in the population on the health risk of consuming this type of beverages. This is proven by the decreased consumption of artisanal illegal alcohol and alcohol not suitable for human consumption in the last 7 years.

- There is a growing interest in formalizing the producers of artisanal alcoholic beverages, which seeks to legalize the consumption of these traditional beverages, which are of great importance to Peruvians.
- Customs authorities are stricter in the importation processes, especially in documentary control and physical verification of merchandise, especially in Puerto de Callao, which makes it difficult to smuggle illicit alcohol across borders.
- Continuous coordination and follow up has been successful thanks to the Multisectorial Technical Table Against Illicit Alcohol, where initiatives are being developed for the implementation of regulations against illegal alcoholic beverages.
- Improvements in ethanol regulation and control.
- Incorporation of inputs such as sugarcane and ethanol into the VAT deduction system to avoid tax evasion and hinder the action of illegality by increasing their costs.

Case Study: Ecuador SIMAR

In 2014 the Ecuador Internal Revenue Service (SRI) announced plans to introduce the SIMAR system (Sistema de Identificación, Marcación y Rastreo) for domestically produced beer, spirits and tobacco products, which are subject to a consumption tax (ICE).

- Although the SIMAR system has had some impact on the illicit trade in alcohol, this has come at a very high cost to the Government with the amount invested in the system far exceeding the additional excise tax receipts.
- In its first two years in place, SIMAR cost over \$23m, but only saw an increase in alcohol receipts of \$7.6m and even a decrease in tobacco receipts of nearly \$14.5m (to December 2018), suggesting that the system has had no effectiveness in controlling the illicit tobacco market.
- It appears that where the marking system was been accompanied by additional enforcement initiatives, the impact was greater – thereby reinforcing the need for additional investments in enforcement activities.

Case Study: Control Stamps in Mozambique

Background

The continent of Africa has the highest percentage of illicit/illegal alcohol in the world. In Mozambique, that percentage is the highest, with illicit alcohol representing 73% of total alcohol consumed. Spirits are the most affected category, where 89% are illicit. Most of the problem stems from smuggling, where the price differential between legal and illicit can reach as much as 100%. Weak control of the manufacture of homemade alcoholic beverages is also a problem. In 2017, it was estimated that Mozambique lost more than US\$ 345 million because of the illicit alcohol market.

By the Decree 59/2016 the Mozambique Revenue Authority (MRA) introduced a Control Stamps regime on all alcoholic beverage and tobacco products in September 2016, designed to help the government eradicate the spread of illicit and counterfeit products. At that time, the market for illicit alcohol was 60%. While legal operators supported the MRA initiative, they also identified two major problems at time of introduction:

1. The price difference between control stamps for domestic products and imported products.
2. The obligation to affix control stamps in the country of origin.

Industry argued that application ‘before importation’ and ‘only in the country of origin or provenance’ unnecessarily restricted the freedom of exporters to best match the application location to their business models. For example, affixing the stamps overseas would add significant, additional costs (labour, storage, stamp cost) of up to 30% per case – compared to only 2-4% when applied in bounded warehouses in Mozambique.

Both of concerns were raised by the EU in Mozambique Trade Policy review in 2017. Regarding price difference, Mozambique acknowledged the fiscal discrimination on the implementation of stamps on alcoholic beverages, and it informed WTO members that there was a legislative initiative to correct the difference in prices of stamps on imported and domestic alcohol beverages. It was announced that the corrective legislation would enter into force in 2018, but that has not yet occurred. Regarding the possibility to affix stamps in bounded warehouse, Mozambique informed WTO members that they would evaluate this opportunity in the future.

Enforcement of Control Stamps in 2019

So far, the Control Stamps initiative has not helped to decrease the level of illicit trade, which has increased from 60% to 73% in the past 4 years.

Illicit operators continue engaging in their activities and the Mozambique market is characterized by: (i) beverages without seals; (ii) imported products that are stamped with stamps intended for local products; (iii) spirits stamped with stamps intended for wine and vis-versa; (iv) stamps can be easily purchased on the market, while in accordance to law, every operator should be able to purchase only the amount of stamps that corresponds to the actual quantity of goods.

Control Stamps have also resulted in huge costs for legal companies, including costs for the machinery to affix stamps; higher prices for Control Stamps for imported spirits and wines; additional costs for affixing stamps in the country of origin; consequent tie-up of capital that hinders cash-flow of formal companies.

In short, the legal business in the sector face unfair competition from domestic producers and smugglers that do not pay taxes to government and generate price differentials (of more than 100%) that encourage consumers to purchase illicit and potentially harmful products.

Recent industry actions

During 2019, the Association of Producers, Importers of Alcoholic Beverages (APIAB) has made numerous presentations to Ministry of Industry and Commerce, General Directorate of Customs, National Inspection of Economic Activities, Directorate of Audit, Intelligence and Investigation of the Tax Authority.

To help improve the situation, APIBA has proposed a program of well controlled sealing terminals and centralized customs warehouses at the entrance of the country, where control stamps will be affixed only once import duties are paid. Only goods that pay duties with affixed stamps (registered in the Customs system) will be released into free circulation. The main objective of this proposal is to speed and control the implementation of stamps before the products are introduced, thus reducing the volume of illicit products entering the country and the costs to legal operators in imported spirits.

Additionally, in order to combat smuggling, APIBA has also presented a proposal to the General Directorate of Customs and Directorate of Audit, Intelligence and Investigation of the Tax Authority to banish public auctions by destroying smuggled alcohol as it is seized.

Case Study: Alcohol Policy Regulation in Denmark

Denmark has comprehensive subnational policies on alcohol and includes nation-wide awareness-raising activities. Health warning labels are mandatory on alcohol advertisements and bottles and containers of alcoholic beverages. The Industry in its own initiative has ensured it affixed health warning labels on containers and bottles of alcoholic beverages.

Alcohol retailers, academia, Non-Governmental Organizations and HORECA¹⁰ businesses play a role in the prevention of underage drinking. They offer targeted support for harmful and hazardous drinkers, prevention of drink-driving, and public policy development to reduce alcohol-related harm.

On drinking environment, players in the retail sector organize regular server training courses at the trade, technical and vocational schools. On alcohol-free public environments, Denmark uses voluntary or self-regulation for educational buildings, government premises and workplaces. There are no restrictions for health care establishments, parks, streets, sporting events, leisure events and also religious places.

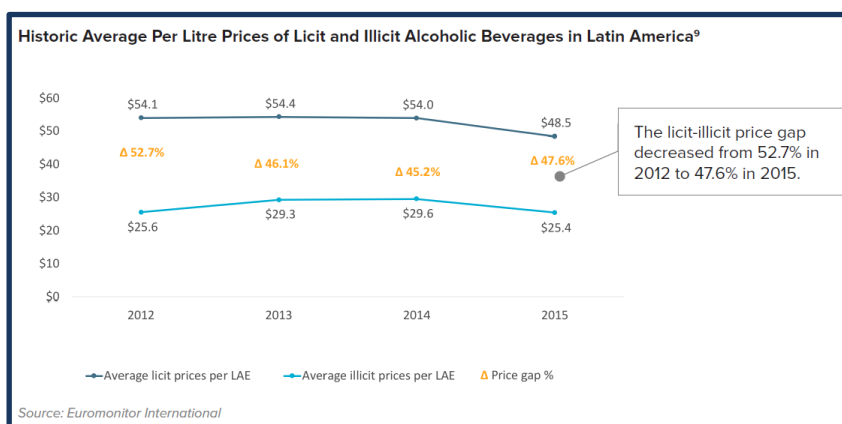
Denmark has also invested in primary health care response on health promotion and disease intervention. They offer Counselling to children in families with alcohol problems and give specific interventions to pregnant women with alcohol use disorders or alcohol problems.

Alcohol laws in Denmark are separated into two with one being for spirits and another for beer and wine. The age limit under the law for buying beer and wine in Denmark is 16 years in shops and 18 years for bars and restaurants. For buying alcohol with a percentage higher than 16.5%, the legal age in Denmark is 18 everywhere. Alcohol can be accessed generally in many of the convenience stores and supermarkets across Denmark.

- Denmark reduced the tax on spirits by 45 per cent in 2003 without facing an upsurge in alcohol consumption.
- Tax stamps on all beverage alcohol was abolished in 2015 because tax stamps were considered antiquated, ineffective and an unnecessary burden on business.
- The impact on industry was increased efficiency in production, and the impact on alcohol consumption remained lower than before 2000.

Case study: Latin America

The difference between the prices of licit and illicit alcoholic beverages in Latin America has narrowed over time. Illicit players have been forced to increase their retail prices during the past few years, as their costs have been affected by many factors: for example, improved enforcement by local authorities have made production and distribution logistics more complex, stricter controls over ethanol supply in some countries has reduced the residual volumes available. Also, as retailers and consumers become more aware of the issue with illicit alcohol, they are increasingly suspicious of brands with very low retail prices. As a result, illicit players can no longer offer extremely low-priced alternatives to licit brands without risking being caught.



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