INVITED COMMENTARY

DOWN THE ROAD TO DEREGULATION

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Abstract — A recent preliminary ruling by the European Court of Justice, that would have ended the Swedish state retail alcohol monopoly on grounds of European law on free movement of goods, highlights the international pressure on countries to deregulate further their alcohol markets. However, those countries that have recently taken the road to deregulation have not been able to prevent the alcohol industry encouraging people to drink more and they are experiencing increased alcohol-related problems. The international debates about tradable commodities rarely take account of the consequences for public health. Alcohol is one such commodity that is also an important cause of premature death. It is essential that this is not overlooked in the race to promote free trade.

INTRODUCTION

The public health message about alcohol is complicated. Unlike tobacco, where there is unequivocal evidence that all levels of exposure are harmful, there is now strong evidence that moderate drinking is actually beneficial. At the same time, in many countries, the adverse health and social consequences of alcohol are increasing. These factors have led most governments to seek to influence patterns of consumption. Several tools are available to them. These are: (1) limiting access to alcohol through licensing laws, opening hours of licensed establishments, or retail monopolies; (2) purposeful alteration of prices through taxation, and (3) regulation of advertising and other forms of promotion. These measures may be accompanied by more individual interventions, such as education and counselling, although these are often of limited effectiveness if the other policies are not in place.

TWO MODELS

Within Europe, some countries have concentrated their efforts on reducing alcohol-related harm by lowering the total alcohol consumption. In Norway, Sweden, Finland, and Iceland, alcohol is considered part of social and welfare policy. These countries have developed integrated alcohol policies, combining reduced access, enforced through a retail monopoly with limited opening hours, price control, achieved through high levels of excise duty, and constraints on advertising. Sweden, Norway, and Iceland exercise a total ban on alcohol advertising, whereas in Finland it is severely restricted. These measures are complemented by important education and information campaigns.

There is ample evidence that policies that reduce access to alcohol are effective in containing alcohol-related harm. For example, in Sweden, a period of Saturday closing in the summer of 1981 was associated with a fall in the number of arrests for drunkenness and assault. This led to a decision by the parliament (Riksdag) to introduce countrywide Saturday closing in 1982 (Holder et al., 1995). In Finland, a 5-week strike in the alcohol monopoly stores in 1972 resulted in a sharp reduction in alcohol sales, and also a reduced numbers of arrests for drink-driving, drunkenness, and assaults (Edwards et al., 1994).

A second model is seen in other parts of Europe, where governments consider alcohol more as

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consumer goods, to be dealt with as part of agricultural, trade, and industrial policies. Alcohol policy in those countries (southern Europe, Germany, and Austria) is often limited to education and information campaigns, with little restriction on availability and relatively low excise duties. In part this may reflect the considerable political power of the large agricultural sector of southern Europe.

As European integration proceeds, these two models have, unsurprisingly, clashed. The current European climate of free trade is placing the Nordic countries under pressure to abandon their policies and to deregulate the alcohol market, being reassured by those promoting change that other ways exist that will keep the harmful effects of alcohol at bay.

THE PRESSURE FOR DEREGULATION

The most recent example of this pressure was the preliminary ruling by the European Court of Justice that the Swedish government's state retail monopoly contravenes European law on the free flow of goods (McIvor and Tucker, 1997). This was subsequently, and unexpectedly, overturned (European Court of Justice, 1997), but it would otherwise have had serious implications for Finland which is also a European Union (EU) member and, possibly, for Norway and Iceland as members of the European Economic Area. By modelling the likely effects on consumption of ending the monopoly, it has been estimated that it would lead to an increase of almost 10% in alcohol-related mortality (Holder et al., 1995).

It is possible for EU member states to limit trade in goods on grounds of public health, but those seeking to do so must show, first, that there are real grounds for concern that a threat to public health exists and, second, that the action is proportional to the objective being pursued and could not equally be achieved in another way not requiring a restriction on trade (McKee and Steyger, 1997). It was argued that Sweden's successful alcohol monopoly was 'disproportionate' and failed that second criterion (McIvor and Tucker, 1997). The preliminary decision by the European Court was consistent with pressure by some countries in the EU to promote deregulation and liberalization with little regard for the public health implications. This is also seen globally in the policies being pursued by the US-dominated World Trade Organization, as demonstrated by recent US threats to policies pursued by the European Commission that seek to promote public health. These include the EU ban on some imports of beef products (Buckley, 1997) and the regulatory framework for banana imports to Europe from the Caribbean. Threats to the latter raise the possibility of economic ruin for several Caribbean countries, with important consequences for efforts to control drug trafficking, one of the few other sources of income available to them.

THE ROAD TO DEREGULATION

Intuitively the private sector, seeking ever higher profits, has an interest in increasing alcohol sales and thus consumption. To do so, the industry can seek to persuade current drinkers to drink more or to encourage non-drinkers to start drinking. Both strategies are widely used, especially where there are no bans on alcohol advertising. Two such countries are the UK and Denmark, both relying mostly on a voluntary code of practice on alcohol advertising (although advertising on television and radio is effectively banned in Denmark) (Harkin et al., 1995). With respect to alcohol, these countries have gone down the deregulation road faster than many other EU countries. In both Denmark and the UK the number of retail outlets is increasing, licensing hours are lengthening, excise duties are being reduced and both countries strongly resist any attempt by other EU countries to impose a comprehensive, EU-wide, ban on alcohol advertising.

It is interesting to note that both countries are the only two EU countries to have introduced a policy of 'safe drinking limits'. There is no evidence whatsoever that these policies will encourage heavy drinkers to reduce their consumption to the 3–4 units per day recommended. However, the drinks industry welcomes any official advice that will encourage non-drinkers to consider that several drinks every day are actually good for the heart. Indeed, there is considerable evidence that the decision by the former British government to relax guidelines on alcohol consumption was heavily influenced by the drinks industry (Edwards, 1996). The case in Denmark is less clear: there is less evidence that the industry lobbies the government as such
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(Hansen, 1997), but its involvement in many aspects of Danish life makes it a powerful influence (Chenet et al., 1997).

Moves to increase the number of drinkers are also being actively pursued in the UK through the intensive promotion of 'alcopops', alcoholic fizzy drinks, packaged to look like soft drinks and to appeal to teenagers (Hughes et al., 1997). This is directly analogous to the infamous Joe Camel campaign pursued by the tobacco industry (Tanne, 1996).

WHAT EVIDENCE IS THERE ON THE IMPACT ON ALCOHOL CONSUMPTION?

According to national sales figures, alcohol consumption in Britain and in Denmark is stable. However, citizens of both countries indulge in cross-border shopping (in France and Germany respectively). Moreover, even if national alcohol consumption remains stable, there is strong evidence that this hides different trends amongst population subgroups, as indicated by measures of alcohol-related harm. Cirrhosis is one of the fastest increasing causes of death in the UK, and alcohol-related mortality seems to be increasing in the most deprived areas (Charlton, 1996). In Denmark, it had increased by a staggering 120% since 1970 (Methling, 1997). Moreover, both countries have amongst the highest percentages in Europe of 15-year-old drinking at least once a week, with Wales and Denmark having the highest female percentage (42 and 33% respectively) (Harkin et al., 1995).

GENERAL CONCLUSIONS AND COMMENTS

It seems that, for alcohol as for many other goods, the market has been very successful in enabling the least informed, most easily influenced, and most vulnerable segments of the population to be targeted effectively. Of course this is exactly why countries like Sweden have integrated action on alcohol with their social and welfare policy (Holder et al., 1995). It was ironic that Sweden and Finland were being put under pressure to scrap the cornerstone of their alcohol policy at the same time as, in the wake of sustained public criticism and a series of damaging reports (Krasnik, 1997a; Methling 1997; Søndegård-Kristensen, 1997), the Danish Ministry of Health was reviewing its alcohol policy and considering increasing excise duties and further restrictions on advertising (Krasnik, 1997b).

The World Trade Organization accuses the EU of implementing trade barriers under the guise of public health measures (Godlee, 1997) and some governments, including the American and British, have used the threat of trade sanctions to prevent countries adopting policies to reduce smoking. In the past, when most alcohol was produced and consumed locally, this was of little concern to the alcohol industry. Increasingly, however, trade in alcohol is becoming global, as illustrated by the almost universal recognition of certain brand names. Consequently, international trade policy is becoming an issue for the industry. While it is legitimate for them to pursue their interests, as long as they do so legally and openly, it is essential that those promoting public health do so too, and in the same fora. The advocates of free trade have always stressed the benefits. But it can also be damaging to health. Even the most deregulatory governments now accept this principle. The UK which only a century ago went to war with China over the right to traffic in opium, now holds out for the right to maintain border controls with its European neighbours, with one of the reasons being the need to exclude imports of illegal drugs.

REFERENCES


