

# Alcohol Strategy 2016–2022

## A feasible tool for consumer protection?

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The European Parliament urges the Commission to develop a new Alcohol Strategy for 2016–2022 in order to combat harmful alcohol consumption. In a resolution it defines an array of concrete measures that will form the elements of this strategy.

- ▶ The reduction of cross-border online shopping should only be conducted for the purpose of closing loopholes that enable consumers to evade excise duties.
- ▶ Taking tobacco as a reference, restrictions on the marketing of alcoholic beverages will have almost no impact on consumption. The same holds true for warning labels.
- ▶ The protection of minors is important, but there is no need for action at EU level.

## Content

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
<b>2</b>	<b>Alcohol Strategy 2016–2022 .....</b>	<b>4</b>
2.1	Context and objectives .....	4
2.2	Key measures .....	5
2.2.1	Measures affecting the supply of alcohol .....	5
2.2.2	Measures affecting the demand for alcohol .....	6
<b>3</b>	<b>Assessment .....</b>	<b>7</b>
3.1	Justification for government intervention .....	7
3.2	Measures affecting the supply of alcohol.....	9
3.2.1	Ingredients .....	9
3.2.2	Availability and promotion .....	9
3.2.3	Warning labels .....	11
3.2.4	Product safety .....	11
3.3	Measures affecting the demand for alcohol.....	11
3.3.1	Protection of minors .....	11
3.3.2	Education and persuasion .....	12
3.3.3	Early intervention and prevention.....	12
<b>4</b>	<b>Concluding remarks .....</b>	<b>12</b>

## 1 Introduction

In the course of European integration, consumer protection has evolved to become an independent policy objective of the European Union (EU), closely tied to the completion of the Single Market.<sup>1</sup> The EU is committed to “ensure a high level of consumer protection” in accordance with the European Treaties.<sup>2</sup> In order to fulfil this goal, the EU and in particular the Commission take legislative initiatives in various areas of the consumer’s life.

One of these initiatives is the Directive on the manufacture, presentation and sale of tobacco and related products (2014/40/EU; see [cepPolicyBrief](#)) that entered into force in April 2014. It is intended to combat tobacco consumption, particularly among young people. Among other things, the directive prohibits products with a “characterising flavour”. “Characterising flavour” refers to additives giving the product a “noticeable smell or taste other than one of tobacco”.<sup>3</sup> Moreover, each package of cigarettes will carry both a text warning and a corresponding colour photograph, covering 65% of the package.<sup>4</sup>

Another initiative is the Regulation on the provision of food information to consumers (1169/2011). From mid-December 2016, amongst other things, all suppliers will have to ensure that their products carry a nutritional declaration, a list of ingredients and, with respect to beverages, the actual alcoholic strength by volume.<sup>5</sup> Alcoholic beverages containing more than 1.2% by volume of alcohol are exempt from the commitments under the regulation due to dissent among the Member States and in the European Parliament on the definition of “alcopops”. “Alcopops” are mixtures of alcoholic beverages and non-alcoholic drinks, such as juices or soft drinks, which are specifically targeted at young people. In December 2014 the Commission missed the deadline for defining “alcopops” and for submitting a report on whether all alcoholic beverages should be covered by the regulation.<sup>6</sup> Thus, The Brewers of Europe, an organisation representing the national brewers’ associations from 29 European countries, announced a voluntary commitment to list ingredients and nutritional information on their products in line with the requirements of the aforementioned regulation.<sup>7</sup>

However, on 29 April 2015 the European Parliament adopted a resolution asking the Commission to “immediately” develop a new EU Alcohol Strategy for 2016–2022.<sup>8</sup> This resolution already contains some key measures, which the Commission is requested to consider when developing the new strategy. This strategy is intended as the successor to the first EU Alcohol Strategy which covered the period 2006–2012. The first EU Alcohol Strategy was aimed at encouraging Member States to tackle alcohol-attributable harm. Since the EU has limited competence in the field of public health, the Commission primarily assumed a co-ordinating role.<sup>9</sup> It co-ordinated, for instance, the measures adopted by the Member States where there are cross-border elements such as cross-border sales promotion or TV advertising of alcoholic beverages. The strategy comprised five priority themes that are specified in Chart 1.

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<sup>1</sup> Goyens, Monique (2011): Will the European Single Market Finally Become a Reality for EU Consumers?, *Intereconomics*, Vol. 46, No 2, pp. 69–74.

<sup>2</sup> Article 38 Charter of Fundamental Rights of the European Union.

<sup>3</sup> Article 2 (25) Directive 2014/40/EU.

<sup>4</sup> Recital No 8, Articles 7 (1), 10 (1) Directive 2014/40/EU.

<sup>5</sup> Articles 9 (1), 55 Regulation (EU) No 1169/2011.

<sup>6</sup> Recital No 40, Article 16 (4) Regulation (EU) No 1169/2011.

<sup>7</sup> The Brewers of Europe (2015): What’s in a Beer? Europe’s Brewers Commit to Ingredients Listing and Nutrition Information for Consumers, Press Release, 26 March 2015, available at <http://www.brewersofeurope.eu/uploads/mycms-files/documents/news/0415CAT.pdf>, accessed 1 October 2015.

<sup>8</sup> Paragraphs 4, 9 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>9</sup> Article 168 Treaty on the Functioning of the European Union (TFEU).

### Chart 1: Priority themes of the EU Alcohol Strategy (2006–2012)

- Protect young people, children and the unborn child
- Reduce injuries and death from alcohol-related road accidents
- Prevent alcohol-related harm among adults and reduce the negative impact on the workplace
- Inform, educate and raise awareness on the impact of harmful and hazardous alcohol consumption and on appropriate consumption patterns
- Develop and maintain a common evidence base at EU level

Source: Communication COM(2006) 625, p. 7.

As part of the first EU Alcohol Strategy, the European Alcohol and Health Forum (EAHF) and the Committee on National Alcohol Policy and Action (CNAPA) were established in 2007. Both aim to support the Member States in implementing the strategy. During the Latvian Presidency of the Council of the EU in the first half of 2015 the work of the CNAPA was actively monitored. Furthermore, the Latvian Presidency announced the presentation of a “scoping paper” on future actions to be taken in the area of alcohol policy in the EU.<sup>10</sup> This “scoping paper” is yet to be published.

This cepInput assesses the benefits and problems of the key measures proposed by the European Parliament as a basis of the Alcohol Strategy 2016–2022. Section 2 provides a brief overview of the strategy’s objectives and key measures. Section 3 assesses the economic impact of these measures. Finally, section 4 contains some concluding remarks.

## 2 Alcohol Strategy 2016–2022

### 2.1 Context and objectives

The European Parliament cites several reasons for combating the misuse of alcohol. The abuse of alcohol is the second most common lifestyle-related cause of disease in some Member States. In 2010, social costs in Europe, directly and indirectly attributable to it, were estimated at 155.8 billion euro.<sup>11</sup> Each year it is estimated to be responsible for 195 000 deaths occurring in the EU.<sup>12</sup>

For these reasons, the Alcohol Strategy 2016–2022 targets harmful alcohol consumption. The European Parliament recommends that the priority themes and objectives of the first EU Alcohol Strategy (2006–2012), already mentioned above in Chart 1, should remain the same. The new EU Alcohol Strategy does not seek to set new targets, but, rather, to support the World Health Organization’s (WHO) European action plan for 2012–2020 that was agreed by all EU Member States in 2011.<sup>13</sup> This plan incorporates ten action areas aimed at lowering alcohol-related harm:

<sup>10</sup> Latvian Presidency of the Council (2015): The programme of the Latvian Presidency of the Council of the European Union, 1 January – 30 June 2015, available at [https://eu2015.lv/images/PRES\\_prog\\_2015\\_EN-final.pdf](https://eu2015.lv/images/PRES_prog_2015_EN-final.pdf), accessed 1 October 2015, p. 21.

<sup>11</sup> Paragraph D European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>12</sup> European Commission (2006): Alcohol, Factsheet, available at [http://ec.europa.eu/health/ph\\_determinants/life\\_style/alcohol/documents/alcohol\\_factsheet2\\_en.pdf](http://ec.europa.eu/health/ph_determinants/life_style/alcohol/documents/alcohol_factsheet2_en.pdf), accessed 1 October 2015, p. 1.

<sup>13</sup> WHO (2012): European action plan to reduce the harmful use of alcohol 2012–2020, available at [http://www.euro.who.int/\\_data/assets/pdf\\_file/0008/178163/E96726.pdf?ua=1](http://www.euro.who.int/_data/assets/pdf_file/0008/178163/E96726.pdf?ua=1), accessed 1 October 2015, p. 6.

- (1) Leadership, awareness and commitment: Member States should prepare, implement, review and revise an identifiable national action plan or strategy on alcohol.
- (2) Health services' response: Member States should increase the number of people who receive alcohol consumption advice in order to reduce and prevent harm. In addition, they should raise the proportion of people who engage in social rehabilitation programmes.
- (3) Community and workplace action: Member States should increase the number of municipalities, schools and workplaces that implement health-promoting action including action to reduce the harmful use of alcohol.
- (4) Drink-driving policies: Member States should reduce the number of drink-driving fatalities.
- (5) Availability of alcohol: Member States should limit or reduce the availability of alcohol and ensure the enforcement of corresponding regulations.
- (6) Marketing of alcoholic beverages: Member States should introduce systems to prevent "inappropriate and irresponsible" alcohol advertising and marketing targeting "young people".
- (7) Pricing policies: Member States should adopt pricing policies to tackle misuse of alcohol.
- (8) Diminish unfavourable effects: Member States should reduce the negative consequences of drinking and alcohol intoxication.
- (9) Increase the level of safety: Member States should reduce the public health impact of "illicit alcohol" and informally produced alcohol. "Illicit alcohol" covers homemade alcohol, illegally-produced or contraband alcohol and surrogate alcohol not intended for consumption.
- (10) Monitoring and surveillance: Member States should publish regular reports on alcohol that include information on drinking among adults, underage drinking, drinking-related ill health and costs to society.

Taking the objectives of these action areas into account, the European Parliament asks the Commission to additionally focus on updating the regulatory framework in order to assist the Member States in dealing with the harm that is caused by alcohol in their countries.<sup>14</sup> According to the European Parliament, the new EU Alcohol Strategy should enter into force in 2016.

## 2.2 Key measures

### 2.2.1 Measures affecting the supply of alcohol

Measures affecting the supply of alcohol are built around four thematic areas.

**(1) Ingredients.** The Commission should "immediately" request the European Food Safety Authority (EFSA) to evaluate the use of acetaldehyde – an organic compound considered to be a carcinogen<sup>15</sup> – as a flavouring substance in alcoholic and non-alcoholic beverages.<sup>16</sup> EFSA is an EU Agency established in 2002 that provides independent scientific advice and communication on existing or emerging risks regarding food and feed safety.<sup>17</sup>

**(2) Availability and promotion.** Both the Commission and Member States should consider "concrete" measures to restrict alcohol consumption.<sup>18</sup> For this, the Commission should take the appropriate measures to reduce cross-border sales of alcoholic beverages on the internet.<sup>19</sup> Moreover, Member States are requested to establish "strict" regulations on the marketing of alcoholic beverages, especially to minors. Furthermore, Member States are encouraged to

<sup>14</sup> Paragraphs 4, 19 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>15</sup> Thomasson, Holly R. et al. (1993): Alcohol and aldehyde dehydrogenase polymorphisms and alcoholism, Behavior Genetics, Vol. 23, No 2, pp. 131–136.

<sup>16</sup> Paragraph 7 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>17</sup> EFSA (2015): About EFSA, available at <http://www.efsa.europa.eu/en/aboutefsa.htm>, accessed 1 October 2015.

<sup>18</sup> Paragraph 30 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>19</sup> Paragraph 27 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

introduce national policies with the goal of preventing the sale of “very cheap” alcohol, given that such measures ensure the effective protection of health and are in line with the principle of subsidiarity. “Very cheap” alcohol refers to low-priced alcoholic beverages.<sup>20</sup>

**(3) Warning labels.** The Commission should examine the effect of EU-wide labelling to warn pregnant women against the consumption of alcohol, and submit a related legislative proposal by 2016. This will be complemented by an EU-wide label containing a warning to consumers about the risks of drinking and driving. In addition, the Commission is requested to submit a legislative proposal by 2016 on the labelling of at least the calorie content on alcoholic beverages.<sup>21</sup>

**(4) Product safety.** The Commission and Member States should take account of the problem of alcohol counterfeiting as well as black-market sales of alcohol and intensify corresponding controls.<sup>22</sup> Chart 2 summarises the measures affecting the supply of alcohol.

Chart 2: Measures affecting the supply of alcohol	
<b>Ingredients</b>	Evaluation of the use of acetaldehyde
<b>Availability and promotion</b>	(1) Reduction of cross-border sales on the internet, (2) “strict” regulations on marketing, and (3) prevention of the sale of “very cheap” alcohol
<b>Warning labels</b>	Mandatory labelling at EU level for alcoholic beverages concerning the risks during pregnancy and in connection with driving
<b>Product safety</b>	Increased attempts to combat the illegal sale of alcohol

Source: cep.

## 2.2.2 Measures affecting the demand for alcohol

Measures affecting the demand for alcohol are based around three thematic areas.

**(1) Protection of minors.** Member States are encouraged to “strictly enforce” national legislation on the age limit for alcohol consumption, especially in the vicinity of schools. The European Parliament indicates the necessity for regular control measures.<sup>23</sup>

**(2) Education and persuasion.** The Commission and Member States should increase their financial efforts to educate the general public on the effects of harmful alcohol consumption on health and society. Corresponding information campaigns should be adapted to the various age groups and special attention should be paid to minors and pregnant women. Both the Commission and Member States should assess the existing legislation, at EU and national level, in respect of consumer information.<sup>24</sup>

**(3) Early intervention and prevention.** Based on the WHO Alcohol Strategy, Member States are requested to improve early detection in primary health care of harmful alcohol consumption, e.g. by promoting medical check-ups. Moreover, Member States should intensify or develop strategies

<sup>20</sup> Paragraphs 15, 38 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>21</sup> Paragraphs 8, 14, 16, 40 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>22</sup> Paragraph 41 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>23</sup> Paragraphs 10, 24, 27 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>24</sup> Paragraphs 12, 25, 27, 32, 39, 40 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

fostering a healthy lifestyle, such as proper nutrition and sport activities.<sup>25</sup> Measures affecting the demand for alcohol are shown in Chart 3.

<b>Chart 3: Measures affecting the demand for alcohol</b>	
<b>Protection of minors</b>	Strict enforcement of the legal age limits for selling alcohol
<b>Education and persuasion</b>	Strengthened efforts to inform the general public about the negative consequences of the misuse of alcohol
<b>Early intervention and prevention</b>	Enhanced early detection of harmful alcohol consumption and awareness of a healthy lifestyle

Source: cep.

### 3 Assessment

From an international perspective, the EU is the “centre of the global alcohol industry”, being responsible for one quarter of the world’s alcohol and more than half of the world’s wine production.<sup>26</sup> Nevertheless, alcohol production is concentrated primarily in seven EU Member States: 77% of the European wine production is located in France, Spain and Italy, whereas 55% of the European beer production is located in Germany, the United Kingdom, Poland and the Netherlands.<sup>27</sup> Thus, restrictive measures affecting the supply of and demand for alcohol have different economic impacts on the Member States.

In some Member States, public authorities produce and sell alcoholic beverages, such as the Badische Staatsbrauerei Rothaus (Rothaus State Brewery of Baden), located in the German federal state of Baden-Württemberg. In other Member States, “government-controlled monopoly arrangements for the retail sale of alcoholic beverages”<sup>28</sup> are in place, namely in Finland for beverages stronger than 4.7% by volume of alcohol and in Sweden for beverages above 3.5% by volume of alcohol.

Regardless of their economic activities, all Member States restrict the consumption of alcohol, for example by minimum age limits. Section 3.1 discusses the reasons justifying government action to restrict the consumption of alcohol. The measures of the Alcohol Strategy 2016–2022 proposed by the European Parliament are then evaluated as to their justification and effectiveness (sections 3.2 and 3.3).

#### 3.1 Justification for government intervention

The concept of the Empowered Consumers will serve as our basis for assessing the justification for government intervention. The concept of the Empowered Consumer proposes that consumers are

<sup>25</sup> Paragraphs 34, 37 European Parliament Resolution on Alcohol Strategy (2015/2543(RSP)), P8\_TA-PROV(2015)0174.

<sup>26</sup> Anderson, Peter/Baumberg, Ben (2006): Alcohol in Europe – A public health perspective, A Report for the European Commission, available at [http://ec.europa.eu/health/archive/ph\\_determinants/life\\_style/alcohol/documents/alcohol\\_europe\\_en.pdf](http://ec.europa.eu/health/archive/ph_determinants/life_style/alcohol/documents/alcohol_europe_en.pdf), accessed 1 October 2015, pp. 47 et seq.

<sup>27</sup> Antoñanzas, Fernando et al. (2008): Alcohol consumption in the EU – health economics and policy issues under a permanent debate, The European Journal of Health Economics, Vol. 9, No 1, pp. 1–6.

<sup>28</sup> WHO (2013): Status Report on Alcohol and Health in 35 European Countries, available at [http://www.euro.who.int/\\_data/assets/pdf\\_file/0017/190430/Status-Report-on-Alcohol-and-Health-in-35-European-Countries.pdf](http://www.euro.who.int/_data/assets/pdf_file/0017/190430/Status-Report-on-Alcohol-and-Health-in-35-European-Countries.pdf), accessed 1 October 2015, p. 22.

fully responsible for their decisions. Consumers are competent, aware of the available information and take autonomous decisions. Thus, alcohol consumption is based on a rational decision. A policy approach suited to empowered consumers ensures that consumers are able to buy products, which provide them with the highest level of utility; thus empowered consumers are the guarantee that producers have to adapt their products to the needs of the consumer.

The economic impact of alcohol consumption can be divided into benefits and costs. The main benefit of alcohol consumption is the pleasure of drinking.<sup>29</sup> Moreover, moderate alcohol consumption can prolong life. As the Organisation for Economic Co-operation and Development (OECD) states, there is evidence for “a beneficial effect of moderate alcohol consumption on overall mortality among middle-aged and older men and, for more modest volumes of alcohol consumed, on older women.”<sup>30</sup> Furthermore, several empirical studies indicate that moderate drinking has a positive impact on wages.<sup>31</sup> The authors of these studies express different arguments in order to explain this finding. Some of them argue that moderate drinkers simply have better health and job performance leading to higher wages. Others claim that, with the increased importance of teamwork, moderate drinkers may spend more time socialising with their colleagues resulting in more contacts or information about job prospects.<sup>32</sup> On the costs side, a distinction has to be made between the private and social costs of alcohol consumption. Private costs are defined as the costs that relate to the drinker himself and include the cost of acquiring alcohol as well as possible negative effects, such as relational problems, a drop in productivity in the workplace or conceivably social downgrading. Since private costs are borne by the individual who consumes alcohol, he takes them into account in his drinking decision. Under the concept of the Empowered Consumer, private costs do not justify any government action.

Social costs are defined as the costs which occur as a result of an individual drinking decision but which have to be borne by someone other than the drinker himself, such as the costs of public health care or of damage to property caused while under the influence of alcohol.<sup>33</sup> Since social costs are not (exclusively) borne by the person who consumes alcohol, he does not fully consider them in his drinking decision. Hence, social costs justify government action. It should be pointed out that not every decision to drink alcoholic beverages causes social costs.

Besides social costs, other reasons are commonly cited to justify government intervention in order to reduce harmful alcohol consumption. The OECD, for example, also justifies government action with “addiction and consumers’ inaccurate perception of risk.”<sup>34</sup> Taking evidence from tobacco consumption, consumers might indeed tend to underestimate the negative consequences of alcohol. One reason for such misjudgement is that possible negative consequences related to alcohol consumption – such as chronic disease, alcohol dependence or social problems – only take effect in the long-term.<sup>35</sup> This might be the reason why some economists characterise alcohol as a demerit good whose benefits are overestimated by consumers.<sup>36</sup> However, justification based on the assumption of bounded rationality must be handled carefully. According to Kahneman’s

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<sup>29</sup> Institute of Alcohol Studies (2013): Economic impacts of alcohol, Factsheet, available at: <http://www.ias.org.uk/uploads/pdf/Factsheets/Economic%20impacts%20of%20alcohol%20factsheet%20August%202013.pdf>, accessed 1 October 2015, p. 9.

<sup>30</sup> OECD (2015): Tackling Harmful Alcohol Use, Economics and Public Health Policy, p. 198.

<sup>31</sup> OECD (2015): Tackling Harmful Alcohol Use, Economics and Public Health Policy, p. 72.

<sup>32</sup> OECD (2015): Tackling Harmful Alcohol Use, Economics and Public Health Policy, pp. 72 et seq.

<sup>33</sup> Cnossen, Sijbren (2007): Alcohol taxation and regulation in the European Union, *International Tax and Public Finance*, Vol. 14, No 6, pp. 699–732.

<sup>34</sup> OECD (2015): Tackling Harmful Alcohol Use, Economics and Public Health Policy, p. 20.

<sup>35</sup> Chen, Chiang-Ming et al. (2014): Brand switching or reduced consumption? A study of how cigarette taxes affect tobacco consumption, *The European Journal of Health Economics*, Vol. 15, No 9, pp. 991–998.

<sup>36</sup> Hofmann, Annette/Nell, Martin (2012): Smoking bans and the secondhand smoking problem, An economic analysis, *The European Journal of Health Economics*, Vol. 13, No 3, pp. 227–236.

“prospect theory” humans almost always fail to assess risks correctly. Consequently, the assumption of bounded rationality can justify government action anywhere and anytime.

Hence, policy approaches linked to alcohol consumption either aim to reduce the social costs of alcohol consumption or try to enable people to better assess the risks of drinking alcohol. The following assessment therefore looks at whether the policy measures proposed by the European Parliament are suitable for achieving these aims. First we will consider the measures affecting the supply of alcohol and then look at the measures affecting demand.

## **3.2 Measures affecting the supply of alcohol**

### **3.2.1 Ingredients**

The evaluation on the use of acetaldehyde as a flavouring substance will allow for a more appropriate assessment of the effects of this ingredient. The need for additional regulation – for example by restricting the use of acetaldehyde as a flavouring substance in beverages – will depend on the outcome of the evaluation. However, it is already clear that any evidence of acetaldehyde being harmful to health, e.g. being carcinogenic, will justify its restriction.

### **3.2.2 Availability and promotion**

In order to combat the misuse of alcohol, the European Parliament calls on the Commission to reduce cross-border sales on the internet, to “strictly” regulate the marketing of alcoholic beverages and to prevent the sale of “very cheap” alcohol.

#### **(1) Reduction of cross-border sales on the internet**

Consumers buying via the internet basically take advantage of price differences between Member States. According to Anderson and Baumberg, the cost of beer in Denmark, for example, is 40% of the price in Sweden, and spirits in Estonia cost 25% of those in Finland.<sup>37</sup> Price differences between Member States can have three different causes. They may arise firstly from different production and distribution costs, secondly, from differing competitive pressures or, thirdly, from different consumption tax rates. Policy actions intended to reduce cross-border sales of alcohol should not be allowed to affect cross-border trade induced by lower prices stemming from lower production and distribution costs because this would reduce the competitive pressure on domestic producers of alcoholic beverages and negatively affect consumer welfare.<sup>38</sup> Cross-border trade induced by price differences arising from different competitive pressure between Member States should not be tackled by policy measures either, since – in this case – cross-border trade increases competition pressure in the country with a lower level of competition. This is beneficial to consumers. Policy measures intended to reduce harmful drinking must not be used as an excuse for protectionism.

In theory, price differences arising from differences in consumer taxation should not occur in the case of cross-border online shopping for alcohol: excise duties are, as a matter of principle, borne by the consumer importing these products. Therefore, it does not matter, e.g., to a Swedish consumer whether he orders Scottish whiskey from a Swedish or a Scottish supplier. However, there are various loopholes for evading high excise duties which are available to cross-border online shopping. For example, some foreign online shops specialise in selling alcoholic beverages to Swedish consumers. These online shops sell their products “ex warehouse”, which means that

<sup>37</sup> Anderson, Peter/Baumberg, Ben (2006): Alcohol in Europe – A public health perspective, A Report for the European Commission, available at [http://ec.europa.eu/health/archive/ph\\_determinants/life\\_style/alcohol/documents/alcohol\\_europe\\_en.pdf](http://ec.europa.eu/health/archive/ph_determinants/life_style/alcohol/documents/alcohol_europe_en.pdf), accessed 1 October 2015, p. 53.

<sup>38</sup> This also applies to cost differences stemming from diverging taxes that influence production costs.

they do not ship the alcohol to Sweden themselves as this would require them to pay Swedish excise duty. Instead, they ask Swedish consumers to arrange the shipment and simply provide help to find a suitable carrier. Insofar as the Commission plans to reduce cross-border online sales of alcohol, it can do so – in cooperation with the Member States – by ensuring that excise duties, such as VAT or special taxes on the consumption of alcohol, must always be borne by the consumer importing these products. This would seem appropriate as consumption takes place in the consumer's Member State.

A special tax on cross-border online shopping for alcohol would not be appropriate as it would offset price differences arising from different production costs or different competitive pressure.

However, even if cross-border online shopping for alcoholic beverages becomes less beneficial for consumers, physical intra-EU cross-border shopping for alcoholic beverages is still possible.<sup>39</sup>

## **(2) “Strict” regulations on the marketing of alcoholic beverages**

With this proposal, the European Parliament tries to address the alleged problem of the consumer's inaccurate risk perception. It is, however, unclear if an adequate risk perception will be achieved by strict regulations on the marketing of alcoholic beverages. If we use the restriction on tobacco advertising as an example, bans or other restrictions have had little or no impact on consumption.<sup>40</sup> Furthermore, they undermine a company's ability to inform consumers about product improvements and innovations. They also represent a market entry barrier for potential competitors, since entrants have fewer possibilities to inform and attract consumers and to promote brand loyalty.

## **(3) Prevention of the sale of “very cheap” alcohol**

Preventing sales of “very cheap” alcohol, as suggested by the European Parliament, may only be justified if this kind of alcohol generates higher social costs than more expensive alcohol. If this is the case, economic theory suggests levying a tax on “very cheap” alcohol that would outweigh the social costs (“Pigouvian tax”). However, this kind of tax only ensures that social costs are borne by the originator (the so-called “polluter pays principle”). It does not necessarily reduce the level of harmful alcohol consumption due to the relative inelasticity in the demand for alcohol.<sup>41</sup> In other words, increases in price only translate into small reductions in demand. Tax increases would therefore be fairly ineffective in reducing harmful alcohol consumption. Another way to prevent the sale of “very cheap” alcohol is the introduction of statutory minimum prices. This approach will also fail to reduce harmful alcohol consumption due to the relative inelasticity of the demand for alcohol. Comparing minimum prices with a Pigouvian tax, the latter proves to be the preferred option for two reasons. First, the minimum price generates no governmental revenues which could be set off against the social costs. Second, a minimum price penalizes competitive companies. In any case, it may be difficult for the Commission to define “very cheap” alcohol in an adequate

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<sup>39</sup> This particularly applies with regard to touristic areas, where there are large price differences between two countries, for instance in the Öresund region or between Helsinki and Tallinn. Cross-border purchases reflect a significant proportion of alcohol consumption in several Member States. In Sweden, for example, it accounted for 17% of total consumption in 2000. For more details see Anderson, Peter/Baumberg, Ben (2006): Alcohol in Europe – A public health perspective, A Report for the European Commission, available at [http://ec.europa.eu/health/archive/ph\\_determinants/life\\_style/alcohol/documents/alcohol\\_europe\\_en.pdf](http://ec.europa.eu/health/archive/ph_determinants/life_style/alcohol/documents/alcohol_europe_en.pdf), accessed 1 October 2015, p. 53; Report COM(2004) 223, p. 13.

<sup>40</sup> Quentin, Wilm et al. (2007): Advertising bans as a means of tobacco control policy – a systematic literature review of time-series analyses, *International Journal of Public Health*, Vol. 52, No 5, pp. 295–307.

<sup>41</sup> Anderson, Peter/Baumberg, Ben (2006): Alcohol in Europe – A public health perspective, A Report for the European Commission, available at [http://ec.europa.eu/health/archive/ph\\_determinants/life\\_style/alcohol/documents/alcohol\\_europe\\_en.pdf](http://ec.europa.eu/health/archive/ph_determinants/life_style/alcohol/documents/alcohol_europe_en.pdf), accessed 1 October 2015, pp. 47, 259 et seqq.

manner. Considering the differences in purchasing power and standard of living between the EU Member States, each Member State must be allowed to provide their own definition of “very cheap” alcohol.

### 3.2.3 Warning labels

The European Parliament’s proposals with regard to labelling aim to improve the consumer’s perception of risk. This is especially the case for warning labels conveyed by pictograms for alcohol consumption during pregnancy and in connection with driving, although these drawbacks are generally known. Pictograms have the advantage that they inform consumers without any language barriers. Voluntary commitments to place pictograms on alcoholic beverages are preferable since they are more likely to be accepted.

Indicating the calorie content on alcoholic beverages provides consumers with more information which results in more informed choices. In particular, it allows for the comparison of different alcoholic beverages as well as between alcoholic and non-alcoholic drinks. In principle, it should be done on a voluntary basis. However, due to the fact that this information is already obligatory for non-alcoholic drinks, mandatory labelling of the calorie content is appropriate to ensure a level playing field for all beverages forming equal conditions for competition.

### 3.2.4 Product safety

Tackling the problem of alcohol counterfeiting as well as black-market sales of alcohol may enhance consumer product safety. In the light of experience gained from tobacco control measures, however, it should be noted that attempts to unitise the design of products (e.g. plain packaging) makes counterfeiting much easier. This might also apply to alcoholic beverages.

## 3.3 Measures affecting the demand for alcohol

### 3.3.1 Protection of minors

Strict enforcement of national minimum age limits contributes to reduce the social costs and protects minors, who cannot adequately assess the risks arising from the negative consequences of alcohol consumption.

The European Parliament’s draft resolution proposed an EU-wide national minimum age limit of 18. This request was withdrawn in the final resolution. Within the EU, the minimum age limit currently ranges from 16 to 20, depending on the category of alcoholic beverage and the point of sale, e.g. restaurants (“on-premises sales”) vs. retail stores (“off-premises sales”).<sup>42</sup> 18 is the most common age limit in the EU, being in place in 19 Member States. As regards the social costs, EU-wide harmonisation of minimum age limits is not necessary, since social costs are borne by the Member States.

The consumer’s perception of risk depends on cognitive skills, which improve with age. Economics cannot determine whether cognitive skills are sufficient at the age of 16 or 18 or 20. However, the only reason for a common EU-wide age limit on alcohol consumption is cross-border travel by young people aged between 16 and 20 years. Since it is doubtful whether this reason would justify a harmonised age limit, the European Parliament was right to withdraw its proposal on an EU-wide minimum age limit.

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<sup>42</sup> WHO (2013): Status Report on Alcohol and Health in 35 European Countries, available at [http://www.euro.who.int/\\_data/assets/pdf\\_file/0017/190430/Status-Report-on-Alcohol-and-Health-in-35-European-Countries.pdf](http://www.euro.who.int/_data/assets/pdf_file/0017/190430/Status-Report-on-Alcohol-and-Health-in-35-European-Countries.pdf), accessed 1 October 2015, p. 22.

### 3.3.2 Education and persuasion

More financial investment, as was requested by the European Parliament, to educate the general public on the effects of harmful alcohol consumption, may improve the consumer's perception of risk. Periodic evaluation of the success of the campaign will probably be necessary so that it can be adjusted accordingly.

### 3.3.3 Early intervention and prevention

Enhanced early detection of harmful alcohol consumption in primary health care and strategies to foster a healthy lifestyle may improve the risk perception of EU citizens and hence their health. This has a positive impact on human capital, which matters for economic outcomes.<sup>43</sup>

## 4 Concluding remarks

From a global perspective the European Union plays an important role in the production and consumption of alcoholic beverages. Measures for reducing harmful alcohol consumption were therefore proposed by the European Parliament, although the EU has limited competence in the field of public health.

A distinction has to be made between the benefits and costs of alcohol consumption. While both the benefits and the private costs are borne by the drinker himself, social costs are borne by third parties. Hence, only social costs justify government intervention. Government intervention on the grounds of the consumer's allegedly inaccurate perception of risk should be treated with caution.

The measures proposed by the European Parliament can only be justified as far as they reduce social costs and the consumer's allegedly inaccurate perception of risk. The following should be taken into account:

- The reduction of cross-border online shopping should only be conducted for the purpose of closing loopholes that enable consumers to evade excise duties.
- Taking tobacco as a reference, restrictions on the marketing of alcoholic beverages will have almost no impact on consumption. The same holds true for warning labels.
- The protection of minors is important, but there is no need for action at EU level.

**Next steps:** By April 2016, the Commission is expected to come forward with proposals for the legislative measures requested by the European Parliament. If the Parliament's suggestions are rejected by the Commission, it must explain its reasoning in detail.<sup>44</sup>

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<sup>43</sup> Suhrcke, Marc et al. (2005): The contribution of health to the economy in the European Union, available at [http://ec.europa.eu/health/ph\\_overview/Documents/health\\_economy\\_en.pdf](http://ec.europa.eu/health/ph_overview/Documents/health_economy_en.pdf), accessed 1 October 2015, p. 9.

<sup>44</sup> Number 16, Paragraph 3 Interinstitutional Agreement, Framework Agreement on relations between the European Parliament and the European Commission.

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