A ‘perfect storm’ in developing countries: economic growth and the alcohol industry

In late October 1991 unusual weather conditions created a major storm off the Eastern Atlantic Seaboard of the United States of America. Winds were above hurricane force, and waves up to 30 feet high were common from the coast of North Carolina to Nova Scotia (http://www.ncdc.noaa.gov/oa/satellite/satelliteseye/cyclones/pfccstorm91/pfccstorm.html). The total damage caused by the storm reached upwards of 200 million dollars. The United States Weather Service, taking into account the factors that combined to create this weather event, labeled it ‘the perfect storm’. A book describing the storm (Junger 1997) became a bestseller. A movie describing the effects of the storm, and focusing in particular on the loss at sea of a fishing boat, the Andrea Gail, and its crew appeared in the USA in 2000.

Almost immediately after the movie was shown in the USA, the term ‘perfect storm’ became common in colloquial American English, the usage implying a disastrous event resulting from a series of factors acting synergistically. It is with precisely this usage that the term is employed in this editorial. Here it refers to the confluence of a series of factors that may lead to an increase in alcohol availability, alcohol consumption and a weakening of alcohol control policies in developing countries. This is important because of the strong evidence that the best approach to prevent alcohol problems at the population level is a harmonic set of policies whose ultimate goal is to decrease the availability of alcohol in the community. Recent evaluations of the effectiveness of various alcohol control policies to achieve this goal are available (Babor et al. 2003).

What are the factors coming together to create the ‘perfect storm’? First, this editorial is written from a Latin American perspective, and more specifically, from that of the country the authors know best, Brazil. This perspective may not be applicable to all developing nations, given the wide variation in culture, alcohol use history and patterns, and economic development across these countries. Further, alcohol problems are already at high levels in many developing nations. The alcohol-attributable burden of disease in the two regions of the Americas that include most Latin American countries (WHO’s Americas ‘B’ and ‘D’) varies between 8.6% and 17.3% for men and 2.2% and 4.1% for women (Babor et al. 2003). As a comparison, the world burden from men is 6.5% and for women it is 1.3%. With this in mind, we will identify under subheadings eight factors predisposing to an alcohol storm before outlining briefly how the threat can be countered and abated.

**Economic Growth**

Developing countries, especially in Latin America, have had a mixed trend of economic growth in the past 20 years. Nevertheless, and apart from specific developments in the alcohol industry, the globalization of the world economy plus economic development from within are leading to further growth in many of these countries. Economic growth in developing nations expands the local alcohol industry and makes developing nations targets of market expansion by the ever-growing transnational producers of alcoholic beverages. The result is an increase in alcohol availability, alcohol consumption and higher levels of alcohol-related problems. Indeed, contrary to the tendency in economically developed countries, increases in reported alcohol consumption have happened in the developing world (Room et al. 2002). In Brazil, for instance, recorded consumption has almost tripled since the 1960s, from 2 l to almost 6 l of alcohol per capita in the population 15 years of age and older. Further, the Estado de São Paulo, a leading circulation newspaper in the state of the same name, cited beer industry estimates suggesting that beer consumption has been growing steadily at rate of 6–7% a year (Estado de Sao Paulo 2005).

**Multiple Factors Pushing Up Consumption**

Increases in consumption are due to many factors, including advertising, pricing and availability. In developing nations, locally produced alcoholic beverages tend to have a low price. This is in part a marketing strategy due to the low level of disposable income of the local population, but it is also possible because production costs are cheaper. The end result is increased accessibility and increased consumption. In Brazil, a 1-l bottle of the locally produced spirits (40% alcohol), cachaca, costs $0.50, and a 350 ml can of beer costs $0.20. For comparison, a 350 ml can of cola costs $0.40, and a 1-l bottle of milk costs $0.90. Physical availability is also important. Industry data from Brazil indicate that there are 1 million points of sale of alcoholic beverages in the country, approximately a point of sale for each 170 inhabitants (Seligman 2005).
THE DEMOGRAPHICS

Developing countries are also targets of market expansion because of the demographic characteristics of their population. With population age structures characterized by an inverted pyramid, and given that most alcohol consumption occurs among young adults 30 years of age or younger, these countries offer the best possible age structure for marketing alcoholic beverages. For instance, in the United States, the group 18–29 years of age corresponds to 16.5% of the population and consumes about 45% of the alcohol (Greenfield & Rogers 1999). In Brazil, the same age group comprises 35% of the country’s population (there are no data on alcohol consumption specific to this group).

CORPORATE TARGETING OF DEVELOPING COUNTRIES

The market expansion of alcohol beverages in developing countries by international conglomerates is sometimes conducted by acquiring at least partial ownership of local industry. An example is the partial acquisition of Bavaria, the second largest brewer in South America, by SABMiller. Bavaria is the leading brewer in Colombia, Peru, Ecuador (more than 90% of the beer market in each of these three countries) and Panama (79% of the market). Forecasts indicate that the Andean region of South America, where these countries are located, will have a compound annual growth rate in beer volumes of 4% over the next 5 years, well in excess of the global industry average of approximately 2% (http://www.sabmiller.com/SABMiller/Financial+centre/Bavaria+transaction/News). A second example, this time in Brazil, is that of the Companhia de Bebidas das Americas (AmBev), which has about 66% of the beer market in Brazil and which is 60% owned by Belgium-based InBev, the largest brewer in the world, with 13% of the global market (http://www.corporate Ir.net/ireye/ir_site_zhtml?ticker=25240&script =11976&layout=8&item_id=’ShareholdingstructurePor. html’). This percentage of ownership, however, keeps growing because much of the profits made by the Belgium conglomerate are now realized in Brazil and other South American markets in which AmBev has been very active. For instance, according to De Bonvoisin & Bilefsky (2005), InBev reported a 23% jump in its 2004 net profit, driven mostly by AmBev, which is fast becoming the growth engine of the world’s biggest brewer in terms of volume.

INTERNATIONAL TRADE AGREEMENTS

When international market expansion collides with public health concerns in a particular country the regulation of international trade greatly favors the alcohol industry. International trade agreements (e.g. General Agreement on Tariffs and Trade and the newer General Agreement on Trade in Services) basically see alcohol as just another commodity. Enforcement of these trade agreements by the World Trade Organization (WTO) in the alcohol area has led to a weakening of public health-based alcohol controls in various countries (Grieshaber-Otto & Schacter 2001; McLoughlin & Fairweather 2002; Room et al. 2002). This is happening both in developed nations and developing ones. However, developing nations have less ability to mobilize resources to fight the WTO and the threat of or the actual imposition of economic sanctions always poses a more ominous prospect to these countries than developed ones. For example, the US Congress recently approved the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA). This agreement was strongly supported by, among many others, the Distilled Spirits Council of the United States (DISCUS), because under the provisions of this treaty, Central American countries will immediately eliminate tariffs on gin and whisky produced in the United States. This will happen on the wake of a growth of about 85% over the last 5 years of US direct exports of distilled spirits to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic (http://www. discus.org/mediaroom/2002/release.asp?pressid=223). One exception to these international policies is the World Bank. It has recognized that alcohol is not an ordinary commodity, requiring that support for projects in the alcohol field take potential public health consequences into consideration (World Bank Group 2000).

BAITING THE TRAP

Developing countries tend to react to the promise of economic growth with welcoming arms. Internal reaction to the growth of the alcohol industry, which usually comes with promises of job creation and a much-needed expansion of the tax-base, is not an exception. However, this promise of job creation is not necessarily realized. Careful analyses suggest no real multiplier effect on job creation in developing societies, and the most likely effect of increased industrialization in the alcohol industry is a loss of direct employment (Room & Jernigan 2000). An expansion of the tax base is also elusive in developing societies because higher prices may lead to a shift in consumption from legally to illegally produced beverages (Room & Jernigan 2000). For the alcohol industry, market expansion is cheaper to achieve in developing countries by means of acquisitions than by costly advertising wars in developed markets (The Economist 2005). It is not surprising, therefore, that decision-making regarding the growth of the alcohol industry in developing countries highlights economic gains, ignoring the fact that alcohol is not an ordinary commodity. Whatever gains in
jobs and taxes are actually realized may be lost due to the deleterious impact of alcohol on the public’s health.

WEAKNESSES IN DEVELOPING COUNTRIES’ PUBLIC HEALTH INFRASTRUCTURES

The system of public health controls of alcohol beverages in developing nations is usually weak. There are historical, cultural and also economic reasons why this is so. The ministries of health in these nations, all with limited economic resources, must respond to public health priorities such as malnutrition, sanitation and endemic infectious diseases, which do not affect developing nations at the same level. The development and enforcement of alcohol control policies therefore is not a high priority. Regarding specific alcohol control policies, most of these countries do not have state monopolies over the production or sales of alcohol beverages. Hours of sale, advertising rules, legal age limits and the legal blood alcohol content to drive a car, to mention a few examples, may all be legally prescribed but are rarely or unevenly enforced.

WHO IN DANGER OF BEING COMPROMISED

Finally, the World Health Organization’s 58th World Assembly recently recognized the threat that alcohol consumption poses to public health world-wide. This attention by WHO to alcohol was welcomed by all working in public health. Among many other things, this resolution requests member states ‘to organize open consultations with representatives of industry and agriculture and trade sectors of alcoholic beverages in order to limit the health impact of harmful alcohol consumption’ (WHO 2005). While we, too, welcome WHO’s attention to the alcohol problem, we are sceptical of the potential benefits of these consultations. In fact, we fear that in the context of developing nations this request may be one more factor fueling the ‘perfect storm’. It may lead the alcohol industry and its allies in the scientific and business community to intensify its lobbying activities under the guise of ‘consultation’ with governments; it may help legitimize the industry’s request for a seat at the table to discuss alcohol control policies when such policies are not in the industry’s interest; and it may make it easier for governmental sectors not interested in alcohol control policies to establish partnerships with industry that may eventually lead to a weakening of such policies. Such developments in economic advanced nations may not be as damaging because these countries have relatively strong public health systems to counteract the industry’s actions. This is not the case in developing nations, which may be left more vulnerable to the alcohol industry and its allies.

EIGHT THREATS AND WHAT TO DO

The ‘perfect storm’ of October 1991 could not be prevented or stopped, but the one described here can. Here are some suggestions for action: first, health professionals in developing countries should not be caught by surprise. Knowledge of this situation and of its harmful impact on the public’s health is an important step in preventing the storm. Secondly, information about the factors identified above must be disseminated and discussed in a variety of fora. This also includes discussion of the scientific evidence supporting the effectiveness of alcohol control policies. The inclusion of community organizations and the public in these discussions is essential. Thirdly, the importance of health professionals’ participation in the political process leading to policy development and implementation must be emphasized. This is not a topic frequently taught in professional schools, which means that training in this area must be strengthened. Fourthly, the above-mentioned ‘alcohol resolution’ of the 58th World Health Assembly (WHO 2005) is a departure point for future public health work in the alcohol field by WHO and member countries. Much needs to be done to convince governments and their delegates to WHO to actually begin the work, a particularly crucial issue in Latin America and other developing areas of the world given the threats described herein. Fifthly, this will be a long battle, and a long-term sustainable strategy is needed to implement alcohol control policies in developing countries. Unlike real storms, this one will not go away once the season changes and the weather clears.

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References
