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ANALYSIS

Government support for alcohol industry: promoting exports, jeopardising global health?

Successive UK governments have actively supported the expansion of alcohol exports. **Jeff Collin, Emma Johnson,** and **Sarah Hill** explore the implicit tensions between national economic interests and global health goals

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During a recent visit to Diageo's flagship distillery in Fife, the UK prime minister, David Cameron, praised whisky as "an iconic product with a rich heritage and a fantastic future" and "a truly global brand."[1] According to Diageo's president of global supply and procurement, David Gosnell, the newly expanded distillery is "the engine for the growth of our Scotch whisky business" and an investment in "generating further export growth for our brands."[1]

The prime minister's seal of approval for a major investment in UK production facilities may seem unproblematic from the perspective of domestic politics and economic interests. Yet such forthright support for the global expansion of the world's leading spirits manufacturer sits ill at ease with Cameron's role as co-chair of the UN high level panel on the post-2015 development agenda. That panel's report, published in the week preceding the distillery visit, included a commitment to reducing the global burden of non-communicable diseases[2]—for which harmful alcohol use is recognised as a leading risk factor.[3 4] We examine how the role of the government in promoting the global expansion of the UK alcohol industry creates tensions with health goals.

Expansion into emerging markets

Globally, the harmful use of alcohol is responsible for around 2.5 million deaths annually,[5] making it the eighth leading cause of death and the third leading risk factor for death and disability.[4 6] Alcohol is also a major contributor to violence, unintentional injury, and social dysfunction.[5] The World Health Organization has noted that the "lower the economic development of a country or region, the higher the alcohol-attributable mortality and burden of disease and injury per litre of pure alcohol consumed."[5]

A shift in the burden of alcohol—from high income to middle and low income countries— is likely to be accelerated by major changes in the global structure of the alcohol industry. While alcohol markets in Western Europe, North America, Australasia, and Eastern Europe approach stagnation, markets in Latin America, Asia-Pacific, and the Middle East and Africa are expected to grow substantially (a projected 3.9%, 5.1%, and 5.2% respectively from 2011-16).[7] For example, total volume sales of whiskies in these emerging markets are set to outstrip those in traditional markets by 2015.[8]

The UK is central to the political economy of alcohol, being home to both Diageo, the world's leading spirits company, and SABMiller, the second largest beer manufacturer.[9] Alongside promoting their drinks brands in developing countries (table 1⇓), these two companies have also engaged in global health and development policy debates.[16]

Both Diageo and SABMiller have extensively reformed their corporate structure and operations to maximise opportunities for expansion across developing countries. Diageo has doubled its investment in emerging markets since 2007 through an aggressive programme of acquisitions and mergers (table 2⇓). Between 2011 and 2013, Diageo's sales in "new high growth markets" across Russia and Eastern Europe, Africa, Turkey, Latin America and Caribbean, and Asia Pacific grew by 38%, now representing 42% of global sales.[12]

Diageo is seeking greater access to the world's largest whisky market by trying to acquire a majority share in Indian liquor company United Spirits;[23] if successful, this acquisition will mean 70% of the company's spirits sales will take place in emerging markets.[8] SABMiller is similarly reliant on developing countries for its recent growth and future prospects: in 2013, its operations in Africa and Latin America accounted for 31% and 32%, respectively, of company earnings.[13]

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Government as industry advocate

The political economy of the UK is, in turn, reliant on the alcohol industry. Spirits accounted for 22% of food and drink exports in 2013, with Scotch whisky exports having increased by 80% over the past decade to £4.3bn (€5.3bn; $7.2bn).[24] A key aim of the government's export action plan is to increase alcohol exports by exploiting opportunities for market expansion, including those emerging across Africa.[24] This strategic priority is reflected in the multiple ways in which governmental actions have facilitated entry, expansion, and investment in developing country markets.

The investment and acquisitions outlined above have been dependent on diplomatic support. In 2011, after Diageo purchased a controlling stake in Chinese brewer Chengdu Quanxing Group, the company's then chief executive, Paul Walsh, praised the UK government for its "strong support for our company as we have pursued this chance to grow our business in China."[25] The foreign secretary, William Hague, also depicted this purchase as a notable success, showing how "Ministers and ambassadors have increased their support for business deals."[26] The UK Trade and Investment (UKTI) team also supported and guided Diageo through its 2012 takeover of Ethiopia's second largest beer company, Meta Abo, previously owned by the Ethiopian government.[22] Johnnie Lloyd, Diageo's director for new business ventures, credited UKTI's support as providing the company with "access to decision makers, to opinion formers and to a wealth of experience of doing business in Ethiopia."[22]

The alcohol industry's efforts to overturn damaging local regulations have also received support from the government as part of its strategic use of diplomacy to create a framework "in which UK business can thrive." This is exemplified by successfully lobbying on behalf of SABMiller in the Indian state of Andhra Pradesh "to remove restrictive regulations prohibiting beer sales, worth over $80m in sales to that company."[26]

More broadly, the negotiation of trade agreements has created important opportunities for expansion by alcohol companies.[21 27] Within the World Trade Organization, the European Union has contested tariffs and practices it deemed discriminatory in emerging markets including Chile, South Korea,[28] the Philippines,[29] and India.[30] When India sought entry to the WTO, the EU pressured the Indian government to reduce tariffs on alcoholic drinks in order to open the Indian market to European based companies.[31] The EU has also raised concerns about Thailand's legislation to introduce graphic alcohol warning labels, depicting an innovative health policy measure as unnecessary interference in trade.[32]

The proliferation of bilateral trade agreements incorporating minimal public health protections is also threatening global health.[33] The UK government is pursuing multiple agreements that would advance the strategic ambitions of the alcohol industry, with the European Union seeking to finalise trade agreements with Thailand and India.[34] Alcohol policy issues are still to be resolved within both negotiations, and "securing improved market access to India is the [Scotch Whisky] Association's number one trade priority."[35]

Perhaps most remarkably, the UK has provided financial support to the African operations of both Diageo and SABMiller through development aid.[36] In Cameroon, Diageo received match funding of $250 000 through the Africa Enterprise Challenge Fund to replace imported barley with locally grown sorghum in its brewing operations. SABMiller similarly received nearly $1m to introduce locally sourced cassava in Sudan.[36] While Diageo's corporate social responsibility report describes such a switch as creating development opportunities for local farmers,[37] a SABMiller investor presentation depicts it as enabling new affordable products to attract "consumers by 'halving' the price of beer."[38]

Stark contrast with tobacco

This active promotion of the overseas interests of the alcohol industry is very different from government attitudes to the interests of tobacco companies. Since 1997, guidance has been in place to prevent diplomatic staff from promoting tobacco; recently strengthened guidelines include requirements that posts must not accept direct or indirect funding from the tobacco industry, offer any endorsement for a tobacco company, or attend the official opening of a UK tobacco factory overseas.[39] These measures are reflected within the international community, with the UK's domestic tobacco control strategy embedded in the WHO Framework Convention on Tobacco Control.[40]

By contrast, the coalition government's alcohol strategy makes no reference to either the rising global burden of alcohol related disease or WHO's global alcohol strategy; indeed, it does not even include the words global or international.[41 42] While the approach of the Scottish government is different in many respects, most notably with regard to minimum unit pricing, its focus on health is also exclusively domestic; reference to global dimensions is restricted to reassurance that Scottish ministers will "continue to responsibly promote whisky and Scotland in their international activities."[43]

Perhaps the most disappointing aspect of this policy silence is the absence of any concern with alcohol in the UK's Health is Global strategy. Launched in 2008 by the Labour government,[44] the strategy was conceived as a means of addressing tensions between the pursuits of health as a "global public good" and priorities in other sectors such as trade, development, foreign policy, and security; its ambition was to ensure that policies across all parts of government should promote health globally as well as within the UK.[45] Alcohol retailing and marketing were raised as a key concern during the consultation process,[45 46] but were largely absent from both the published strategy document[44] and the revised outcomes framework launched by the current Government.[47] Alcohol policy does not feature within any of the 31 areas in which the government aims to demonstrate a difference in five years' time, nor in the 41 specific commitments to action.[47]

Coherent approach to global health

The government's support for expansion of UK alcohol companies in developing countries is compatible with the industry's privileged position in domestic policy.[48 49] The government's Public Health Responsibility Deal,[50] which relies on voluntary commitments from food and drink producers, mirrors the active engagement of Diageo and SABMiller in the UN High Level Meeting on non-communicable disease in 2011.[16] The subsequent UN resolution placed great faith in voluntary measures and partnership with alcohol companies,[51] showing that the UK's approach is by no means unusual.

The domestic and international approaches to alcohol show the political reluctance to combating non-communicable diseases as industrial epidemics, which requires regulating the activities of unhealthy commodity industries as vectors of disease. The contrast with tobacco control is striking: it is now impossible to envisage a UK prime minister treating the opening of a new cigarette factory as a welcome photo opportunity, or a foreign secretary boasting of how the actions of diplomats increased exports of cigarettes to developing countries.

Tensions between national economic interests and global health cannot, of course, be wished away, and health goals can't be expected to automatically trump other important foreign, economic, and social policy objectives. Nevertheless, any serious strategy for engaging in global health must entail identifying and managing such tensions. One of the objectives of the government's Health is Global strategy is to "do no harm and, as far as feasible, evaluate the impact of our domestic and foreign policies on global health to ensure that our intention is fulfilled."[46] Governmental support for expansion of the alcohol industry is likely to do harm at both individual and population levels given the increasing health effects of alcohol in developing countries.

Important lessons can be learnt from tobacco control, and from other countries. Diplomatic guidance like that introduced to restrict interactions between diplomatic staff and tobacco companies would be one useful starting point, as would precluding alcohol companies from receiving development aid. National policies should also engage with the shifting global health burden of alcohol. More ambitiously, the UK government could commit to restricting the scope for corporations to challenge health legislation in future trade agreements with developing countries. This would allow them to follow Australia's example in better protecting the rights of governments to regulate in the public interest.[52] Such steps are important if the UK is to act as a global health leader in developing a coherent response to the challenge of non-communicable diseases.

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Key messages

- The global health burden of alcohol is shifting from developed to developing countries, reflecting changes in the global structure of the alcohol industry
- Through its role in promoting trade and exports, the UK government facilitates the expansion of UK based alcohol companies into developing countries
- These activities undermine the UK's claim to international leadership in global health
- To show genuine leadership in global health, the UK government must recognise and address tensions between national economic interests and global health objectives

Tables

Table 1| **Table 1 Key drinks brands promoted by Diageo and SABMiller in selected target markets**

	Target market(s)
Diageo[10]	
Johnnie Walker (Scotch whisky)	Asia, Middle East, Brazil, Thailand, Mexico, China, South Africa
J&B (Scotch whisky)	South Africa, Turkey
Buchanan's (Scotch whisky)	Latin American and Carribean, Venezuela, Mexico, Colombia, Brazil
Captain Morgan (rum)	South Africa
Smirnoff (vodka)	Brazil, South African
Guinness (beer)	Nigeria, Indonesia, Cameroon
SABMiller	
Grolsch (beer)	South Africa[11]
Miller (beer)	Latin America,[12] China,[13] India[13 14]
Peroni (beer)	Africa, India[13]
Pilsner (beer)	Africa,[15] Latin America[15]
Castle (beer)	Africa[11 15]
Carling (beer)	South Africa[15]
Impala (beer made from cassava)	Africa[11 15]
Snow (beer)	China[11]
Aguila (beer)	Latin America[12 15]

Table 2| **Table 2 Diageo's global expansion through acquisitions in key emerging markets**[17-22]

Region	Diageo investment
China	Received approval from Chinese authorities to become sole shareholder in Shui Jing Fang (formerly Chengdu Quanxing Group), July 2013
	Purchased controlling stake in Chengdu Quanxing Group (premium baijiu manufacturer), 2011
Africa	Agreed to 50:50 joint venture in United National Breweries traditional sorghum beer business
	Purchased Meta Abo Brewery in Ethiopia, 2011; expanded local production, 2012/13
India	Purchased majority share in United Spirits, July 2013
Middle East	Purchased Mey Icki (producer of Yeni Raki) in Turkey, 2011
Latin America	Purchased Ypioca (major spirits producer) in Brazil, 2012