

# ALCO-TOURISM AS A RESULT OF FIGHTING THE DRUNKARDS



In the Baltic States of Latvia, Estonia and Lithuania there has been an extensive fight against drunkenness. These three little countries, that together have a lower population than Austria, are tackling an issue that mankind has been trying to solve for centuries. However, their efforts resulted in increased alco-tourism.

According to the WHO, the Baltic states region stands out in Europe in terms of drinking. In 2016, an average Lithuanian resident over 15 years of age drank 18.2 liters of pure alcohol. This is considered an absolute world record. Estonia is 11th with 12.8 liters, while Latvia is 14th with 12.4 liters per person.

**Governments are raising excises to reduce alcohol consumption.** In response, local residents gave birth to phenomenon called alco-tourism. For cheaper alcohol, Finns go to Estonia, Estonians to Latvia and Lithuanians to both Latvia and Poland.

Alcohol in Finland is almost a luxury matter. It is very expensive and the excise rate here is one of the highest in Europe. However the neighboring Estonia sells alcohol almost twice as cheaper. The Estonian government has decided to raise excise taxes. Over the past two years, the rate was revised several times.

As a result, there was significant difference in final prices for consumers. Now a bottle of imported beer in Estonia can be bought for about 1.40 euros. In comparison, in Latvia it can be bought for 1 euro.

Thus said, the reaction of the Estonian population was quite logical. People began to buy alcohol in Latvia. The number of those who traveled to Latvia only for alcohol grew more than 2.5 times in 2017 compared to 2016.

More than a third of "alco-tourists" made six or more trips per year. It is believed that now about a third of alcohol consumed in Estonia is imported from Latvia. The Estonian union of alcohol producers and importers predict that this year the growth of potential border trade will be 23%. This means that Estonians will buy about 3.5 million liters of strong alcohol in Latvia.

Latvia is the main beneficiary among the Baltic states. The influx of Estonians and Lithuanians has created many new jobs while also economically boosting the country. In 2017, the Latvian budget revenue from excise tax increased by 43 million euros, or 5.3%, to 907 million.

**Poland is also one of the winners of recent alcohol struggle in the Baltic.** Cars and buses with customers are coming there, while Lithuanian stores are also moving. One of Lithuanian alcohol chains opened two stores near the Lithuanian-Polish border.

In Poland, there is a reduced VAT rate on food and the lowest excise taxes on alcohol in the EU. Poles carefully calculate how much neighbors spend in local stores. There is even a separate statistic on how many kilometers from the border they are ready to drive for shopping. According to the

Statistical Bureau of Poland, in 2016 Lithuanians spent 340 million euros in local stores. A quarter was spent on food.

It is difficult to say for how long Poland and Latvia will be enjoying the phenomenon of alco-tourism. As of March 2018, the excise tax on alcohol in Latvia has been increased. The prices are still much lower than in Lithuania and Estonia, but over time Latvia may lose its advantage. The next revision of the excise taxes is scheduled for March 2019 and after that for March 2020.

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