



FOR ELECTRONIC SUBMISSION

Brasília, August 27, 2022.

To the World Health Organization

Subject: Response to the public consultation regarding the second draft of the 2022 updated Appendix 3 of WHO's Global action plan for the prevention and control of noncommunicable diseases (NCDs) 2013–2030 ('Appendix 3').

To Whom it May Concern:

The Brazilian Institute of Cachaça ("IBRAC") would like to thank the World Health Organization for providing the opportunity to comment **on the public consultation regarding the second draft of the 2022 updated Appendix 3 of WHO's Global action plan for the prevention and control of noncommunicable diseases (NCDs) 2013–2030 ('Appendix 3')**.

These comments are submitted within the deadline set forth in the notification and do not contain confidential business information.

IBRAC is a trade organization that represents the sector of Cachaça, and our role is to advance the interests and profile of CACHAÇA (an exclusively Brazilian sugarcane spirit and a Geographical Indication pertaining to Brazil), our members, and of the Brazilian industry as a whole in Brazil and around the world.

Having examined the public consultation, **IBRAC** believes it is important and opportune to submit the following comments to the second draft **of the 2022 updated Appendix 3 of WHO's Global action plan for the prevention and control of noncommunicable diseases (NCDs) 2013–2030 ('Appendix 3')**, through this official letter.

1) The **first point** that IBRAC would like to address is that the Global Strategy considers a number of policy options for reducing the harmful use of alcohol. However, the 2nd draft focuses only on the SAFER initiative, suggesting that implementation policies a Member State outside the scope of SAFER would not be recognized as contributions to the implementation of the Global Strategy.

This proposal also conflicts with the provisions of EB decision 146 (14). Therefore, IBRAC

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believes that the Appendix 3 must recognize the comprehensive package of policy options and interventions included in the Global Strategy as an effective menu of measures for reducing the harmful use of alcohol and should not. We also understand the use of SAFER (as the only option) or including actions that prioritize the implementation of SAFER over other possible interventions is limited and could create, if applied in isolation, unintended consequences that would require more public investment and other public policies to address.

2) The **second point** that IBRAC would like to address is the importance of considering, in any discussion related to taxation the impact in the *illicit market*, the competitive structure and regional characteristics.

In 2015, a measure instituted by the Brazilian Government increased taxation levied upon Cachaça which was already one of the most highly taxed products in Brazil. The measure changed the system of applying the Tax on Industrialized Product (IPI) applied to the beverage, and a 25% ad valorem rate was established for Cachaça. The impact of the measure, upon a number of products, was an increase of over 200% on the tax paid alone (not to mention the other taxes that are counted), as stated in a manifest released by the sector in 2018. This measure by the Brazilian government has generated severe unintended consequences, such as an increase of competitive inequality and growth in the ‘illegal’ (i.e., illicit) market.

In our perspective, higher taxation does not result in effective health improvements as it does not reduce harmful alcohol consumption

Abusive consumers are less responsive to tax policies for price increases, especially in a country like Brazil with a huge inequality in personal income. This kind of consumer in Brazil, as a low-income country where an illicit product is 70% cheaper than a legal product¹ finds ‘unrecorded’ alcohol their sole option to continue their harmful consumption. Definitely, it does not attack the problem². To the contrary, it also stimulates the illicit alcoholic beverage market.

According to the Euromonitor Illicit Alcohol Study from 2018 (2017 data), illicit beverages represent 28.8% of the spirits market in Brazil. Organized crime profited R\$3 billion that year. Government lost R\$5.5 billion in 2017 alone in tax evasion. In addition, the sector of Cachaça is inclined to think that this fiscal loss will be higher than it was in 2017 at the end of 2020 because of the illicit spirits must have reached 37.9% in share, due to the COVID-19 pandemic, according to the new Euromonitor study³.

The impact on the Cachaça sector clearly reflects this unintended consequence of a high tax

¹ Euromonitor Illicit Alcohol Study from 2018 (2017 data)

² Vieira, B.A., et al., Timing and Type of Alcohol Consumption and the Metabolic Syndrome - ELSA-Brazil. PLoS One, 2016. 11(9): p. e0163044

³ Illicit Alcohol in LATAM – COVID-19 – Impact Model, Euromonitor, 2020



burden compounded by competitive inequality. The illicit market, in number of Cachaça producers, reaches 90%. An estimate by IBRAC, based on data from 2018, indicates that the market for Cachaça is approximately 632 million liters of which 112 million liters are illicit.

Illegally produced beverages do not follow sanitation regulations, and therefore pose serious risks to people's health.

The current scenario of illegal market and competitive inequality requires, in Brazil, tax isonomy and not the creation of new taxes and the increase of tax burdens, which would produce the opposite result: it would have little impact on harmful consumption and would also benefit the illicit market.

So, for all the reasons above, we understand that:

- Taxation increases will lead to increase in unrecorded consumption and the health of the population will deteriorate;
- Policy options and interventions must consider the realities, not only in terms of the pattern of alcohol consumption, but the competitive structure, and how the application of these policies will impact the legal market, the whole supply chain and the illicit market;
- In addition to not being a competence of the WHO the definition of fiscal/taxation policies, recommendations on taxation should be focused in promoting efficient taxation and should recognize the impact of the illicit market.

Furthermore, it is very important to address that that WHO and the Member States must accept and consider in all their strategies that “Alcohol is Alcohol” and the principle of alcohol equivalence must be taken into consideration.

In Brazil, there is a misperception that “cold drinks” (an expression used improperly in Brazil in referring to alcoholic beverages with ABVs lower than 13%), usually represented by beer, are less harmful and less “alcoholic” than “hot drinks” (an expression used improperly in Brazil in referring to alcoholic beverages with ABVs higher than 13%), among which spirits like Cachaça would be included. In reality, all alcoholic beverages contain the same molecule: ethanol.

To correct this misperception IBRAC has implemented a campaign whose slogan is “Alcohol is Alcohol” in order to disseminate the concept of “standard” drinking.

Considering that 30ml of Cachaça or other spirits (ABV 40%), 100 ml of wine (ABV 12%) and 330 ml of beer (ABV 4%), on average, have the same amount of ethanol (i.e. about 10 grams of pure alcohol), the idea is to educate consumers to start thinking in terms of grams of alcohol in a glass or cup so that consumers can better assess how much they drank or will drink. The correct definition ensures transparency of communication.



This campaign has two objectives. One is to address the need for a parameter of moderation in Brazil in order to reduce the harmful use of alcohol and the idea that has been highly promoted nowadays by ‘fake news’ in social media that beer is less alcoholic than spirits.

The other objective is to address and point out the competitive inequality/inequity to government authorities and, consequently, properly address the issue of misuse of alcohol consumption. The misperception described above has led the government to issue laws that treat alcohol distinctly depending on the beverage, not only making the tax law but also the law on advertisement and self-regulation promoters of inequality.

According to the WHO, more than 105 countries define ‘alcoholic beverages’ as those beverages having alcohol, or ethanol, in an amount greater than 0.5 degree Gay-Lussac – or 0.5% of alcohol content.

But Brazil is not among these countries when we are talking about advertisement.

The legislation that governs the standardization of alcoholic beverages in Brazil is Law No. 8.918, of July 14, 1994, regulated by Decree No. 6.871 of July 4, 2009. These rules follow the WHO beverage classification - that is, in Brazil, an alcoholic beverage is one that has an alcohol content of over 0.5 percent alcohol by volume.

The law that misleads the consumer regarding what is classified as an alcoholic beverage is the Advertising Law (Law No. 9294 of 1996) which adopts, for its purposes, the interpretation that alcoholic beverages are those with alcoholic content greater than 13° GL.

According to this Brazilian Advertising law, alcoholic beverages are only those that have more than 13 degrees of Gay-Lussac alcohol in their composition, that is, an alcohol content (ABV) greater than 13%. With this definition, more than 90% of the beverage market, by volume, is not defined as an alcoholic beverage by legislation, such as beers, sparkling wines and some still wines.

This ends up creating an asymmetry in the regulation of the alcoholic beverage market, unbalancing competition and not addressing properly the issue of the harmful use of alcohol, because restrictions are applied in practice only to spirits, which represent only 10% share of the beverage market.

By correcting this inequality on the front of advertisement, Brazilian authorities would take a step forward in reducing the exposure of minors to advertising for, that way, all beverages will be subject to the same restrictions in terms of advertising on TV and radio. Note that since the early 1990’s, beer has been allowed to advertise throughout the entire day.

Considering that there is no scientific evidence that proves that low-alcohol beverages are less harmful to consumption or that encouraging the consumption of low-alcohol beverages can result in a reduction in harmful alcohol consumption, **we believe that there should be no differential**



treatment between alcoholic beverages based on their alcohol content when implementing measures to reduce harmful alcohol consumption of alcohol, in particular, in adopting the measures contained in the Appendix 3 and the in the Global Alcohol Action Plan.

Finally, IBRAC thanks WHO for the opportunity to submit comments to the public consultation, requests that the comments / petitions submitted be taken into consideration and reinforces its commitment to combat the harmful use of alcohol in Brazil and abroad, in partnership with the government, policy makers and society, cooperating to create an environment that protects minors, without competitive inequality and with lower levels of illegality/illicitness.

We remain at the disposal of WHO to continue collaborating with discussions and to send further information to support this submission.

Respectfully submitted,

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