

The Alcohol Issue in Russia and the Baltic Sea Region

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Editorial

Due to various circumstances we have not been able to publish as many newsletters as we normally would have done this fall. This issue therefore contains material from the past half-year or so. Although one might think the expiry date has long been passed for these bits of news, they still provide a relevant picture of what has been going on in various media in Russia and the Baltic countries. We include a few news pieces from Belarus as well this time, and hope to follow the alcohol issue in Belarusian media more closely in future with the help of Svetlana Radionova.

The news items from Estonia are naturally dominated by the great methanol tragedy in September, resulting in

the death of almost 70 people. As could be expected, the tragedy spurred an intense debate about the availability of illicit alcohol, price mechanisms influencing demand for illicit produce, individual versus collective responsibility, and general alcohol policy. Resigning president Lennart Meri managed to create some hard feelings when he deemed the victims of methanol poisoning as more or less disloyal villains – cheating the rest of society of revenues and putting a great burden on strained health resources. They say that the truth is heard from children and drunkards. Perhaps we should add retiring presidents to that category – still at the centre of attention, but not having to consider a future career?

The debate following the methanol tragedy raises a number of issues concerning alcohol and alcohol policy in Estonia and the Baltic countries. During the spring of 2001 several researchers from different groups at Södertörns högskola have been cooperating about a survey of a random sample of the adult populations in the three Baltic countries, i.e. 1100 respondents in each country. The survey consists of various questions on democracy, political and civic participation, trust in political and societal institutions, issues concerning environmental problems and policies, national identity and minority issues, as well as a number of items concerning alcohol consumption and policy-related topics. More information about the survey may be found at <http://www.grace.se/~shstats/>

Data collection was performed in May and a few months later several of the items suddenly became very relevant. We asked the respondents about the availability of poor quality illicit alcohol, about their views on alcohol policies and about level of taxes and

excises. We will of course be analysing the material more thoroughly these coming months, but use this opportunity to present some very preliminary and simple results from the study as comments to some of the present news articles. For example, we asked the respondents to judge the present seriousness of various alcohol-related problems – in an attempt to measure people's problem perception. Among the items were alcohol-related domestic violence, alcohol-related health problems, drinking and driving, drinking among children and youths, drug problems – and availability of poor-quality illicit alcohol.

The last of these items, then, became disturbingly relevant only a few months later. It is therefore useful to see how people perceived this problem just before the methanol scandal:

How serious do you consider the following to be in your country today: Availability of poor quality illicit alcohol.

	Estonia		Latvia		Lithuania	
	Fem	Male	Fem	Male	Fem	Male
<i>Very serious</i>	54.4	51.1	61.4	59.9	54.0	43.6
<i>Serious</i>	32.8	35.4	31.2	29.9	30.2	38.2
<i>A problem, but not serious</i>	6.2	8.8	4.7	6.5	5.9	10.6
<i>Not a problem</i>	0.8	1.5	0.2	1.2	2.3	2.7

The figures do not leave much doubt – overwhelming majorities of the respondents in all three countries consider the availability of poor-quality illicit alcohol to be serious or very serious. Needless to say, these figures cannot be read as objective accounts of the significance of the problem, but people obviously recognize this as a societal predicament.

In objective terms, for example, the severity of alcohol-related health problems is clearly much greater than for example drinking and driving, or drug problems. Nonetheless, according to the answers, drug problems were by far the most severe of these problems.

Recognizing a problem is one thing, doing something about it another. We therefore offered the respondents a list of various policy measures and statements and asked them about their level of agreement.

In light of the developments during the 1990s and the recent methanol tragedy, it was, then, very interesting to note that a substantial majority of Estonians and Latvians agree that the state should have monopoly on

alcohol sale. The results from Lithuania are somewhat inconclusive because of many missing answers.

The state should have monopoly on alcohol sale:

	Estonia		Latvia		Lithuania	
	Fem	Male	Fem	Male	Fem	Male
<i>Strongly agree</i>	48.5	41.1	52.9	51.5	18.8	15.2
<i>Somewhat agree</i>	23.2	23.2	23.7	24.8	32.9	31.6
<i>Somewhat disagree</i>	12.3	12.5	9.2	9.6	11.0	21.0
<i>Strongly disagree</i>	4.0	12.5	3.9	8.6	5.2	7.5
<i>DK/NA</i>	12.0	10.7	10.3	5.5	32.1	24.7

As could be expected perhaps, women are generally more positive to restrictions, and in Estonia almost half of the valid female responses strongly agreed with the statement. As already mentioned, the survey was performed *before* the methanol tragedy and is therefore not an effect of that horrific event.

We also asked the respondents to state their level of agreement with the notion that it is the government's responsibility to keep alcohol consumption down.

The government has a responsibility to keep alcohol consumption down:

	Estonia		Latvia		Lithuania	
	Fem	Male	Fem	Male	Fem	Male
<i>Strongly agree</i>	34.2	25.8	48.2	31.0	22.7	12.7
<i>Somewhat agree</i>	31.4	27.7	30.1	32.0	35.0	31.3
<i>Somewhat disagree</i>	20.9	25.6	14.0	22.2	19.5	32.4
<i>Strongly disagree</i>	7.1	12.5	3.0	8.3	5.4	9.8
<i>DK/NA</i>	6.4	8.5	4.6	6.5	17.3	13.7

Again, a convincing percentage of Estonian and Latvian respondents agree or strongly agree with the statement. Interpretation of the Lithuanian figures was again hampered by the large number of missing answers, but responses from the Lithuanian women at least point in the same direction.

The link between advertising and alcohol consumption is controversial, where many people argue that the

effect of advertising restrictions is dubious and that advertising legal products should be a fully accepted activity in a market economy. We know, for example from previous bulletins, that alcohol advertising has become commonplace in these new market economies – although several measures have been taken in order to limit advertising. We therefore asked the respondents to comment on whether or not alcohol advertising should be restricted.

Advertising of alcohol should be restricted:

	Estonia		Latvia		Lithuania	
	Fem	Male	Fem	Male	Fem	Male
<i>Strongly agree</i>	45.6	36.7	49.2	34.7	14.4	11.8
<i>Somewhat agree</i>	29.7	29.9	34.4	31.4	27.8	20.4
<i>Somewhat disagree</i>	14.0	18.0	8.3	19.8	28.3	38.5
<i>Strongly disagree</i>	4.4	6.5	2.7	6.3	9.5	12.1
<i>DK/NA</i>	6.3	8.8	5.4	7.8	20.0	17.1

As could be expected, women are clearly more positive to restrictions on advertising – particularly in Estonia and Latvia. Around three quarters of the female respondents in Estonia and almost 85 percent of the Latvian women agree or strongly agree with the statement. In addition, a clear majority of the Estonian and Latvian men favour the idea – while the Lithuanian figures point in a somewhat different direction.

Readers of this bulletin have not been able to miss that the question of alcohol excises is often discussed, particularly in connection with black markets and illegal production. The question is of course whether high taxes on alcohol increases demand, and thereby supply, of illicit – and cheaper – alcoholic beverages. Various groups, among them the legal producers, argue that a substantial price reduction is needed in order to curb black market production, while public health – oriented interests claim that lowered prices will also substantially increase demand for legal goods and thereby produced an enlarged total consumption in society. We asked our respondents about their view on the level of taxes and duties on alcohol. Judging by the don't know/no answer category, people do not generally seem to be very aware of the tax levels on alcohol. In all three countries a substantial proportion of respondents gave no answer or did not know.

The results are somewhat more complex as far as taxes and duties on alcohol are concerned. Around half of the respondents in Estonia explicitly agreed to the relevant statement (see below), but only 20 percent of the

Latvian women and 35 percent of the Latvian men. In Lithuania 30 percent of the female respondents explicitly agreed, and 45 percent of the men.

Taxes and duties on alcohol are too high:

	Estonia		Latvia		Lithuania	
	Fem	Male	Fem	Male	Fem	Male
<i>Strongly agree</i>	23.8	38.2	8.0	14.9	7.5	11.2
<i>Somewhat agree</i>	23.8	23.0	13.9	21.6	21.4	34.0
<i>Somewhat disagree</i>	17.4	19.4	18.8	23.6	11.8	13.9
<i>Strongly disagree</i>	10.1	8.1	21.9	15.3	7.5	3.1
<i>DK/NA</i>	24.8	11.3	37.5	24.6	51.7	37.8

It is of course difficult to draw any conclusions from these very simple frequency tables. Nonetheless, it does perhaps seem that there is in fact fair public support for various forms of alcohol restrictions. As we have seen earlier, regulation sceptics some times refer to the ill-reputed anti-alcohol campaign initiated during the Gorbachev era. Furthermore, we might expect that the inclination towards government regulations would be weak in a post-communist society in the midst of developing liberal freedoms. The popular voice, represented by a sample of the Baltic populations, does, however, seem to express a greater understanding for alcohol restrictions than perhaps expected in view of recent developments and media coverage.

TR

RUSSIA

Distilleries stilled

The Moscow Times, June 4; The St Petersburg Times, June 5

Alcohol producers warned of looming protests after a new law aimed at cracking down on bootleg liquor came into force — and shut down most of the country's vodka and wine production.

Moscow-based Kristall and hundreds of other distilleries and wineries across the nation halted production when the new excise stamp system took effect. The system requires that two excise stamps — one federal and the other regional — be stuck on each bottle of vodka. It also requires that hundreds of excise warehouses be opened to affix the regional stamps. But the regional stamps are still not in production.

“All distilleries are standing still now, waiting. We already saw longer lines for vodka on Friday, and if this mess continues, we will see a vodka riot,” said German Klimovsky, marketing director of the Russian Wine and Vodka Co. “We have stopped production because we can't deliver new batches of vodka, and the situation will hit the market at full force in the coming week since we, like many, have only one week's worth of production,” said Alexei Yegarmin, general director of the Moscow-based Serebryanoprudsky distillery.

According to the National Alcohol Association, there are 700 vodka distilleries and 400 wineries in Russia. “Many are sending their staff on vacation,” the association's leader, Pavel Shapkin, explains. The government is losing up to 136 million rubles (\$4.7 million) in uncollected revenues every day.

The dispute concerns Part 2 of the Tax Code, which came into force on January 1. At the time there weren't any regional stamps available and so implementation was postponed till June 1. But the stamps weren't ready by that time either.

Before January 1, producers paid 100 percent of the alcohol excise tax and placed the excise stamps on their bottles. But with bootlegging accounting for 40 percent to 70 percent of all production, the government decided to introduce a so-called split excise system under which the tax is divided evenly between producers and wholesale excise warehouses. Producers put federal stamps on the bottles and the warehouses use the regional stamps. The Tax Ministry estimates a need for as many as 1,500 excise warehouses.

Foreseeing the pending halt in production, producers pleaded to postpone implementation till the fall. But on May 29 PM Kasyanov signed a resolution, banning sale of alcohol without the regional stamp.

Shapkin of the alcohol association blames the mess on a dispute between federal and regional powers over control of the regional stamp. In recent years as many as 72 out of Russia's 89 regions have been issuing their own regional quality identification stamps for alcohol. The regions hoped that these stamps could be used as excise stamps, but the Ministries of Finance and Tax provided a list of companies that were going to produce the regional excise stamps – resulting in a brawl and no production of tenders in many regions.

Shapkin says urgent action is needed. “The people in the Tax Ministry and government officials dealing with alcohol are incompetent and have to be replaced, and the president must intercede.”

MB

Vodka production slowly resuming

The Moscow Times, June 6

A state press is cranking out excise stamps to deliver to alcohol producers so they can re-launch production, Moscow's de facto vodka monopoly Kristall reveals.

Kristall CEO Alexander Timofeyev said that Gosznak, the state press, won a tender to print the new stamps for the Moscow region last Tuesday and has promised to deliver them to the factory by Thursday at the latest. “The situation looks more optimistic now than it was last week. If we are lucky the production halt will pass without any great notice”.

There are currently three warehouses open in Moscow, but it is unclear how many of the around 400 ordered by the Tax Ministry are ready.

Shapkin states that as long as stamps get to Kristall, which accounts for 99 percent of all legally made vodka in Moscow, there shouldn't be any shortage in the city. Shapkin said that regional producers, however, could be hit because each region is supposed to hold a tender to make the stamps and many of them have yet to do so.

RFE/RL Newline Russia, June 21

On June 20 Pavel Shapkin of the National Alcohol Association, told Interfax that Russian distilleries are beginning to resume production after an almost three-week break caused by the government's failure to provide the necessary tax stamps. But most distilleries still do not have the stamps they need and therefore cannot sell their products to another oblast.

RFE/RL Newline Russia, July 3

According to Shapkin alcohol prices have risen 7-8 percent in the month since new tax stamps were introduced on June 1. Apart from the tax increase itself, higher prices also reflect shortness in supply because many distilleries are out of operation due to lack of tax stamps. Meanwhile, Sergei Zivenko, general director of the Federal State Unitary Enterprise Rosspirtprom, claims the country's “alcohol barons” are seeking to remove him as their profits have plummeted.

MB

Alcohol tax up 12 percent

The Moscow Times, June 28

The State Duma tax sub-committee just passed a government proposal to increase the excise on alcohol, including vodka, by 12 percent from January 1. Increases on alcohol excises have usually met resistance from deputies. Last year, the Duma raised vodka

excises by a mere 5 percent although the government had been pushing for a 20 percent increase. The original proposal was a 5 percent hike on strong beverages and 12 percent on other products. However, the MPs did not favour such a discrepancy: "Twelve percent is not so much for the consumer. In the end, a bottle of vodka might only cost 2 extra rubles", deputy chairman of the sub-committee, Alexei Melnikov, explained.

MB

A monument to public enemy no. 2

The Moscow Times, July 12

"Take me with you and you won't regret it, I promise. But I have one weakness: I don't like sad men. But on the other hand, they have to start with something. So why don't they start with me? Your Vodka Vera".

It's not as if it hasn't been done before. After all, monuments to tanks, rocket launchers and other devices of mass destruction are scattered across Russia. So it shouldn't come as a surprise that somewhere in New York sculptor Ernst Neizvestny is working on a monument to Russia's Second Worst Enemy: vodka.

Of the 2.2 million Russians who died last year, 34,000 died of alcohol poisoning. Two million Russians are being treated for alcoholism. And according to a recent study, two thirds of Russian men die drunk.

"Everyone is drunk," Kommersant recently wrote. "Murderers and their victims, drowning victims, suicides, drivers and pedestrians killed in traffic accidents and victims of heart attacks and ulcers."

Russia's number one enemy? Coronary diseases in its many forms. But – enemy number one is often related to - you got it! - excessive consumption of Russia's enemy number 2.

Neizvestny's monument will be unveiled outside the Vodka Library in Uglich, a small central Russian town, sometime this fall. The "library" is actually an exhibit of moonshine devices and vodka bottles of various ages and origin. There are at least three other museums of vodka in this vodka-loving country. Officials at the Vodka Museum in St. Petersburg boast that it is the only museum of vodka in Russia – and so does the director of the Vodka Library. In addition, there is a small vodka museum in the Leningrad region and one in Myshkin - a small town about 20 kilometres up from Uglich along the Volga River.

But Uglich residents claim their library is special because of the town's unique relationship with the beverage. For one, a local legend has it that the name of

the town, which means Coal Town in Russian, comes from the coal that Uglich vodka brewers used to purify the drink. More importantly, however, Pyotr Smirnov was born in a village just a few kilometres away, and, after working as a waiter at his uncle's restaurant in Uglich moved on to bigger, if not necessarily better, adventures - like creating the famous Smirnoff Vodka.

A hundred years after Smirnov passed away his vodka continues to flirt with its audience. Remember how a cat turns into a panther and a guitar turns into a sexy naked woman in a Smirnoff ad? A slightly undone zipper on the back of a lady's dress turns into an alligator's gaping maw. Vodka makes everything at the party seem so exotically seductive.

Smirnov may be long dead, but his vodka is still hot. And so is Vera - a promiscuous Estonian vodka claiming to enjoy the company of Estonian men. But who wants to sleep with the Enemy?

MB

Astronomical alcohol

The Moscow Times, July 19

After a hard day's work in space, what does the average astronaut need to wind down? If French distillery Remy Martin has its way, the astronaut will take command over his Russian counterparts and sit back with a bottle of cognac.

Alcohol in space is, nevertheless, nothing new for the cosmonauts at the Mir space station. Russian and Soviet cosmonauts have been drinking alcoholic beverages on space flights for years.

Despite a ban on alcohol, former cosmonauts admit to drinking in space. Even French cognac has been sipped in outer space: "There's a tradition of taking a little in orbit," former cosmonaut Alexander Serebrov explains. Serebrov fondly remembers enjoying French and Armenian cognac. There was no need for special space-age technology, said Serebrov. Instead, they would use syringes to make it easier to drink in zero gravity.

Another cosmonaut, Alexander Poleshchuk, recalls how crews that ran out of booze would go on a treasure hunt, tearing down interior panels to find bottles hidden by previous crews. "Sometimes we would bump into a bottle of cognac. What a joy it was!"

Serebrov describes how they would only drink small quantities of alcohol - only 25 grams a time. The effect was four times greater than usual and you needed to sleep afterwards.

Getting Remy bottles into space may, however, be difficult. NASA strictly prohibits drinking alcohol in space and, officially, so does Russia.

MB

Brewers enjoy the ride while they can

The Russia Journal, June 15

"Crazy!" This is how CEO of Tinkoff Breweries, Oleg Tinkov, describes the brewery's recent experiences on the Russian premium beer market.

-- "Demand is five times higher than supply, and we are trying to get our new microbrewery ready by the fall in order to cope with demand".

Tinkoff is not the only firm to be excited about premium beers in Russia. If the escalating growth at the upper end of the market appears to go on, Danish beer-giant Carlsberg says it will probably start with domestic production of its flagship brand. "My understanding is that we are looking to produce Carlsberg in Russia this year," company spokeswoman Margarethe Skov reveals. Christian Ramm-Smith, CEO of Baltic Beverage Holding (BBH), partly owned by Carlsberg, did not want to confirm this statement, but admitted that they are discussing the matter. Still, it is increasingly evident that the premium beer market is gaining the same sort of momentum that has been seen in Russia's mainstream market in recent years. Overall, the Russian beer market has been one of the few bright spots in the country's otherwise moribund economy. An increasing number of Russians has opted for a milder alternative to the country's traditional, mind-numbing vodka.

However, insiders say that there are now signs that the booming market is beginning to slow as it gradually becomes saturated. And so, major brewers and niche players go out hunting for a share of the premium beer market. St. Petersburg's Vena Brewery, controlled by Carlsberg through BBH, has already announced a doubled production of Nevskoye and Tuborg premium beers. The company says that the move is essential to meet demand in this segment and to become the dominant actor in the upper-end of the Moscow and St. Petersburg markets.

Not everyone is rushing to produce in Russia. Heineken, which began exporting to the Soviet Union in 1968 and saw two-digit growth figures last year, says it intends to continue exporting to Russia seeing the fully imported label as its marketing ace. "Western cigarette brands manufactured in Russia are generally half the price of imported cigarettes. But many people still prefer to pay more for an imported brand," said Eric van der Ven, Heineken's export manager for Russia. "And the same goes for beer. Brands like Miller, Tuborg and Holstein that are now produced

under license in Russia are obviously cheaper, but we feel this leaves more room for the genuinely imported Heineken. Sales figures confirm our feeling".

But why is demand for premium beer so exceptionally high? According to industry insiders, there are a number of factors at play. Ramm-Smith of BBH said he believes that the "quality consciousness" of Russian consumers has increased. After 10 years of drinking quality beer (relative to Soviet beer) people are becoming increasingly selective. Moreover, the Russian economy has improved during the past 18 months. Thirdly, Ramm-Smith explains, actors in the top segment of the market spend more on marketing than the other actors combined.

Alexei Krivoshapko, a consumer-goods analyst with United Financial Group, agrees that marketing has played a key role. "If you blindfolded someone and offered them a Nevskoye and a Baltika No. 3, they probably couldn't tell much difference". And, the improvement in the economy is still relative. "The cost of beer went up by 20 percent in one month, while the average income increased by 25 percent last year". Instead, Russians are spending a larger part of their salaries on beer. Growth in the premium sector has its limits. The distorted income distribution in Russia, with 10 percent of the population earning 45 percent of the income, means that volumes at the top-end will be confined to 12-15 percent of the population. Still, industry representatives are optimistic about the prospects for continued growth. "Given the development of the market with an growing "beer culture", we forecast that the two-digit growth we saw last year will continue the next few years," Heineken's van der Ven says. Tinkov of Tinkoff adds that the market is going so well that anyone selling premium beer would have to be completely hopeless not to be doing well. "The consumer market is growing at 25 percent so if you're not selling now, you never will. We have increased prices three times recently, and demand is continuing to soar."

MB

Baltika moves eastwards

The Moscow Times, July 17

Vice president of Baltika, Adam Tlekhurai recently revealed that the country's largest brewery, Baltika, plans to invest about \$360 million in six new breweries in the former Soviet Union. Of the six, four will be in Russia, one in Central Asia – probably Uzbekistan – and one in Belarus. After the expansion, Baltika will have nine breweries throughout the former Soviet Union. Baltika's parent company, Baltic Beverages Holding, also controls breweries in the Baltics and

Ukraine. Tlekhurai said each of the four new Russian breweries will cost about \$60 million.

Last week, the company announced that construction of a \$50 million plant in Samara would start at the end of this year. "We needed the Central Russia market and have chosen the Samara region as potentially one of the most interesting regions," Tlekhurai said.

The Samara region has a per capita beer consumption of 31 litres a year, which, according to Baltika, is equivalent to the country's average but is half that of Moscow and St. Petersburg. The plant will initially produce up to 100 million litres a year, increasing to 300 million litres depending on sales.

Negotiations about the other three Russian plants are in progress, but they will be located in Siberia and the Far East. In Belarus, reconstruction work is going at full speed at the Minsk-based Krinitsa brewery, while the Central Asia site is still to be determined.

Baltika, which is 75 percent owned by the Scandinavian-controlled Baltic Beverages Holding, currently has three plants in Russia — in St. Petersburg, Rostov-on-Don and Tula. According to Business Analytica data from April, BBH controls 32.6 percent of the national beer market, followed by Sun-Interbrew, Ochakovo, Bravo International, and Krasny Vostok.

At the same time smaller rivals are planning on becoming bigger. Three months ago, Ochakovo revealed plans to invest \$100 million into a brewery in the Central Russian town of Penza. Breweries are expecting strong growth in the regions, especially in Central Russia.

Nevertheless, some experts warn that beer consumption, which has increased by up to 15 percent a year the past three years, is likely wane. "It is very unlikely that Russian consumption will increase even by 10 percent in the next three years," says Andrei Sterlin, director of Business Analytica.

If consumption peaks, the increase in production will put strong pressure on small, local producers. But consumers in the regions tend to pick local brands. "It won't be easy for Baltika to compete with Kazan-based Krasny Vostok in the Samara region," consumer analyst at Troika Dialog, Andrei Ivanov, says. "Krasny Vostok produces beer of the same category, already has at least 20 percent of market share and is very aggressive".

The Moscow Times, August 9

Having conquered western Russia, the nation's largest brewery is looking to the east. Baltika is preparing its invasion of beer markets in the Far East of the country

and has no intention of stopping there. The St. Petersburg-based brewery has its eyes set on China - and now even North Korea.

During his visit to St. Petersburg, North Korean leader Kim Jong-il was so impressed by Baltika that he overstayed a scheduled 20-minute visit at the brewery by about an hour. Kim and Baltika's general director Taimuraz Bolloyev reached an oral agreement that Baltika will act as consultant for North Korean brewery construction. The company has been negotiating about the construction of a new plant in Khabarovsk — and when Kim found out about it "he was very inspired".

Tlekhurai made clear that Baltika plans to invest \$50-\$60 million to in the new brewery, which is to produce 100 million litres of beer a year. "The local market is very interesting for Baltika, and part of the production might be exported to the north of China".

Troika Dialog Andrei Ivanov thinks Baltika was forced to move east "because the European market has been growing rapidly and is reaching a point of saturation.

MB

A new kid on the Chuvash beer block

The Moscow Times, July 4

The \$24 million, 17,000-square-meter brewery plant, Bulgar Khmel Brewing Co., recently opened its doors with a ceremony that combined a traditional ribbon cutting, courtesy of Prime Minister Mikhail Kasyanov, with a traditional Chuvash blessing of the beer.

Beer is not just a drink in Chuvashia, it is a way of life. "Diamonds are to Sakha what beer is to Chuvashia," said Nikolai Yegorov, head of Bulgar Khmel Brewing. Yegorov's team built the factory from scratch. The site was originally slated for a dairy processing plant, but by the time milk lines had been installed the country had switched from bottles to Tetrapak packaging.

It was Chuvashia president Nikolai Fyodorov's idea to change the dairy plant into a brewery. The aim is to create a vertically integrated holding including a hops processing and storage facility.

Brewing traditions in Chuvashia are old and well established. Wedding toasts were made with beer instead of vodka or wine. For each celebration, an appropriate beer was brewed - dark, bitter, light - giving rise to the Chuvash proverb, "There are as many beers as songs". Nonetheless, Bulgar Khmel plans to produce a maximum of five types. Most of them will be sold in the popular half-litre glass bottles.

Initially, the brewery plans to produce 80 million litres of beer per year, expanding to a capacity of 120 million litres – which is twice as much as the two leading breweries in the region, Chuvash Bouquet and Yantar.

According to Bulgar Khmel, Russia's total beer production amounted to 5.49 billion litres last year, which is up 18 percent from 1999. Consumption rose by 26 percent to 37 litres per person in 2000, and analysts predict a 5-15 percent growth this year.

Bulgar Khmel is 60 percent owned by Chuvash trading company Bulgar and 25 percent by Moscow-based Bank Strategiya.

The Chuvash government and Bulgar Khmel hope the new hops facility will invigorate the region's hops-growing industry. The facility has planned capacity to process 4,000 tons of hops a year, about 50 percent of current demand. Hops, along with barley malt and water an essential ingredient in beer brewing, are as much of a tradition in the republic as the drink they flavour. A styled hops leaf and cone in red graces the centre of the yellow Chuvash flag. The brewery employs 200 people and pays an average monthly salary of 4,500 rubles, i.e. 2.5 times the average salary in the republic. Not surprising, then, that the brewery was flooded with more than 9,000 applications since hiring began in May.

MB

Beer imbeciles - is that what Russia needs?

Trud, July 31

The massive TV advertising encouraging people to buy beer is mostly aimed at youths. The result is already becoming evident as teenagers with beer bottles are being observed in increasing numbers in streets and parks, in the subway, in cinemas and discotheques. Beer has become very accessible - it's cheaper than juice and is sold almost everywhere without restrictions. Teenagers have no problems whatsoever getting hold of beer. The Pepsi-generation is becoming a thing of the past and is rapidly being replaced by the beer-generation. The media are trying to convince people that drinking beer is good for their health, that it is a very suitable substitute for vodka, that it brings us closer in line with Western, i.e. modern, lifestyles. Media messages often refer to per capita beer consumption in Germany and the Czech Republic – proving that Russians are drinking way too little beer.

Anyone who tries to stand up to the aggressive beer promoters are firmly put off. For example, the chief sanitary inspector Gennady Onishchenko was accused of undermining the nation's economy. Several State Duma deputies have appealed to Prime Minister

Kasyanov to protect "national interests". Beer barons fiercely oppose any restrictions on beer trade or TV advertising in Russia, although such restrictions exist in all Western countries. In the US you don't see teenagers with bottles on the streets. Russian beer production is growing at a record rate, i.e. by 30-35 percent annually. Beer consumption has tripled during the past decade. What will become of our youngsters in a situation where beer consumption is rising dramatically and vodka consumption is not declining?

GV

Don't drink and dive in Moscow

BBC, August 3

According to official figures 263 people died in Moscow's rivers in July alone – which again means a total of 300 deaths so far this summer. The number is horrific and the authorities relate the misery to a lethal mix of alcohol, bravado and sheer stupidity.

Large signs warning people not to swim in the dangerous parts of the waters are encircled by bathers, happily sipping their beer and vodka. Even warnings from lifeguards seem to make little difference.

Most Muscovites are convinced they won't be the unlucky ones. "I think it all depends on the person," says one young man, next to a pile of empty Botchkaryev beer bottles. "Of course you'll drown if you're drunk. But if a person has any self-respect, he won't drown. I've had a swim and now I'm having a beer, so I won't be swimming any more".

A teacher who has brought her students to the beach is also about to enjoy a beer before dipping in. "That's not alcohol!" she exclaims – "you can't get drunk from beer. From vodka, perhaps - but not from beer!"

Lifeguard Vitaly Yakimov patrols the coast as often as he can, but some days he doesn't have enough money for petrol. Vitaly is summoned back by radio - another body has been found nearby. He shrugs his shoulders when asked why so many people are drowning this year. "They're drunk," he says curtly, "and unlike people in other countries, they take no notice of warning signs".

Some people, like Dr Lynn Stadnyuk from the international SOS clinic, believe the only answer is to ban alcohol from beaches. But she admits this is unlikely to happen. "Alcohol is very much a part of social life, and has been so for generations. Russians are very hospitable, and alcohol is something you share with friends when you want to relax".

TR

Alcohol-related deaths up

The Moscow Times, August 20; Trud, August 20

According to an Interfax report, nearly 17,000 Russians died of alcohol poisoning during the first five months of this year, which means an increase of about 30 percent compared to the same period last year.

The report cites figures from First Deputy Health Minister Gennady Onishchenko, revealing that the number of deaths from alcohol poisoning between January and May was 16,853 – an increase of around 4,000 compared to 2000. Hence, the number of deaths from alcohol poisoning is greater than the losses in the Afghan war.

MB & GV

Governor imposes vodka monopoly

RFE/RL Newline Russia, June 22

Chukotka Governor Roman Abramovich has signed a decree imposing controls over the production of alcohol within the territory of the autonomous okrug. Wine and spirits may then be produced by Chukotka Wholesale Trade only. It will still be legal to import alcohol into the region, but imported goods will only be sold through Chukotka Wholesale Trade.

MB

BELARUS

Bottle feeding

Belorusskaja Delovaja Gaseta, BDG (Belorussian Business Newspaper), October 12

Workers at Orsha's drying-out station are not surprised about drunk teenagers sleeping on the street. Groups of teenagers are guzzling vodka bottles at school discos, and on one occasion ambulance workers were called to a school and found three pupils poisoned by alcohol after downing a bottle of gin-tonic. In another instance a sixth grader, 13 years old, came to school a bit "groggy" and tried to prove to the headmaster that if he would not smoke he would not feel that bad. The pupil's mother blamed the school for not bringing up her son properly.

As if this was not enough, infants as small as 1-2 months are regularly diagnosed for alcohol poisoning. According to doctors, more than half of newborn babies are already addicted at birth. Previously it was

common to calm crying babies with soothers soaked in home brew. If this did not help, one could always pour alcohol directly into the child's mouth with a spoon.

SR

The average age of alcohol and drug addicts declines in recent years

Belorusskaja Delovaja Gaseta, BDG (Belorussian Business Newspaper), October 11

Ludmila Andreeva, a freelance narcotics expert working with the health protection department, presented some results of her study at a conference in connection with the Day of mental health. According to Andreeva, alcoholism and drug abuse are now being diagnosed among 15-20 year olds, while people with these diagnoses used to be at least 40 years of age. As this freelance narcologist noted, alcohol and drug addiction is one of the primary social problems in Belarus at present. The number of addicts is increasing every year, and therefore the primary prevention of addiction to psychoactive substances, such as alcohol and drugs, has become a salient issue.

It is seen as particularly important to give young people information about the risks associated with use of alcohol and drugs, as well as enhancing healthy lifestyles among youngsters. In Andreeva's view, special attention should be awarded to prevention of drugs in schools. As a consequence, the prevention issues have been included in a government program against alcohol and drug abuse.

SR

POLAND

Public drinking ban comes into force

RFE/RL Newline Central and Eastern Europe, June 28

A new law forbidding drinking alcoholic beverages in parks, on sidewalks, and in other public places came into force on 28 June, PAP reported. Those caught by police imbibing alcohol in public will have to pay fines of up to 150 zlotys (\$38), the equivalent of some 50 bottles of beer. Previously, drinking bans were imposed in railway stations and other public transport sites as well as in public transport vehicles.

MB

ESTONIA

Midsummer fests and alcohol

Eesti Päevaleht, June 20; SL Õhtuleht, June 22; Eesti Päevaleht, June 22; ETA, Eesti Päevaleht, June 20

Janek Kalvi, marketing director of *Liviko*, reveals that the week before Midsummer Day the company's sales at least double. Udo Themmas, chairperson of *Liviko*'s board, also pointed to the fact that the cold weather was favourable to *Liviko*: people drank less beer and more strong alcoholic beverages.

The director of *Tartu* brewery, Tarmo Noop, also confirms that on Midsummer Day people buy 2-3 times more beer than on a normal summer day. Midsummer and the week before is the best sales period during the entire year. Both *Saku* and *Tartu* assure that they are ready for increasing sales. Sales figures show that people prefer light beers during the summer. *Tartu* brewery has been worried that they would not be able to meet demands for beer, despite the fact that they have been working three shifts since March.

According to the police, alcohol sales will not be restricted during the midsummer fest this year. However, the number of traffic accidents has been known to increase during midsummer in previous years.

SL Õhtuleht, July 3; Eesti Päevaleht, July 4; Postimees, July 4; SL Õhtuleht July 7

In light of the ongoing beer festival *Õllesummer*, one can be pleased about the change in drinking patterns that is developing and that excise policies do not favour strong beverages as much as they used to. Drinking for the sake of getting drunk will gradually be replaced by social drinking even though beer prices are high in Estonia compared with the Czech republic or Germany, wine is substantially more expensive than in southern countries, and vodka is many times cheaper compared to the West. Compared to the German Oktoberfest, the high prices at *Õllesummer* are certainly questionable. While beer drinking is a part of the culture and lifestyle in Germany, it is first of all business in Estonia – although beer is being introduced as a form of culture. The government should, however, remember that westernisation means more than adopting higher prices.

Eesti Päevaleht, July 4, gives the full list of beers that will be sold on *Õllesummer* – a total of 65 different brands of Estonian beers and about 50 imported beers. The strongest of these is Amsterdam Maximator with an

alcohol content of 11.6 percent. The most exotic beers come from India and Jamaica.

A beer costs 20 *kroons* at the festival – prompting *Õhtuleht* to list 10 reasons why the price should rather be 15 *kroons*. One of these reasons was the fact that the festival in fact advertises their goods and that this will benefit the producers. Furthermore, the festival sells beer at gross prices (without brokerage) and therefore the prices could be kept down. When beer costs less visitors won't feel the urge to bring beer with them. Even 25 *kroons* won't stop youths from buying beer at the festival. A wide variety of beers is sold at the festival and lower prices would encourage people to try new beers; if the beer is cheaper, it is easier to leave it if you don't like it and buy another one instead.

Õllesummer is a family festival and hence there are no age limits. There are 12 different places specially designated for children's amusement. Concerts are given from 15 different stages and a night song festival with 6,000 choir members and a symphonic rock concert is planned at the end of the festival. Last year there were approximately 100,000 visitors, of which each drank 1.5 litres of beer. The organizers want to make the festival a tourist attraction, especially for tourists from the Nordic countries.

Breweries praise the summer

Eesti Päevaleht, June 26; SL Õhtuleht, September 6

According to Tarmo Noop, the director of *Tartu* brewery, the average Estonian drinks 60 litres of beer per year, while Czechs drink 160 litres per year. He also reveals that beer sales during the three summer months account for approximately 35 percent of the annual turnover. *Saku* director Cardo Rimmel confirms that the summer months are very lucrative for the breweries. In *Saku*'s case, summer turnover is a little bit less than half of the annual total. The typical summer beer is light in both colour and alcohol content. Noop refers to light beers as those that have an alcohol content of less than 4-5.2 percent. According to market researchers Profindex, consumers may choose between 234 beers in shops, but the top ten beers account for 90 percent of total sales. Rural consumers prefer stronger beers.

Rimmel is otherwise pleased that beer is no longer only a means of getting drunk. The beer festivals where the number of drunken faces is becoming smaller is a good sign of a changing beer culture.

The other breweries were also pleased with sales figures during the summer months. In September, both *Saku* and *Tartu* breweries increased the prices of beer by 10-20 cents due to heightened malt prices.

High season for advertising

Postimees, July 13

Probably in praise of the continuous hot summer weather a lot of beer ads appeared on TV in mid summer. Funnily enough, the ethical problems of these adverts seem to be proportional to the producer's market share.

Market leader Saku runs ads depicting a man behaving slightly "alcoholic". He wants to go on a holiday tour but has difficulties leaving his fridge, which is full of Saku beer. The ad can be seen as promoting alcoholism or at least portraying drinking in a positive framework. In today's Estonia, where drinking and driving and other alcohol-related problems are severe, this approach seems quite cynical.

A. Le Coq is not doing badly either – and is likely to provoke any feminist. After getting home, a man discovers that the "hot babe" he brought back from the party is quite ordinary. Frustrated and angry he goes to the fridge and seeks comfort in an A. Le Coq beer.

All these ads are based on situation comedy, which is an easy way out; showing a charming alcoholic on TV is just as dangerous as TV-violence.

Postimees, October 2

Tartu Brewery A. Le Coq will in October be installing a speed-measuring device on the Tallinn-Tartu road. The speedometer costs 200,000 kroons and will be standing on a four-meter high crutch with an A. Le Coq label on it. The aim is to enable drivers to compare their car's speedometer reading with the real speed and to refine the art of creative marketing....

ML/MLL

Estonia needs beer shops

SL Õhtuleht, July 9

Estonia has no beer shops offering a full assortment of Estonian and imported products. Over 80 different beers are brewed in Estonia alone. The alcohol registry contains as many as 120 different types of beer. The small *Nigula* brewery has a wider assortment than *Saku* or *Tartu*, but one can hardly find any of them in Tallinn shops. Ants Varinurm, of *Nigula* explains that it is extremely difficult to sell their products to shopkeepers who prefer take in well-known brands that sell well.

Estonians prefer domestic produce of beer and imported beers only account for 7 percent of the market, with Koff as the largest of the imported brands.

Saaremaa beer traditions to continue

Eesti Päevaleht, July 19; *BNS/SL Õhtuleht*, August 1; *Postimees*, July 18; *Eesti Päevaleht*, September 5

Saaremaa, the largest island in Estonia, has always been famous for its home beer-producing traditions. A home-beer contest, taking place for the fifth time this summer, has become quite popular among Saaremaa and foreign beer brewers. Last year the number of participants was 28. Home-beer making experts from Finland and Sweden have shown interest for the contest, which is part of a beer festival where all big Estonian breweries are represented.

Apart from this, Saaremaa has a new brewery (*Saaremaa Õlletehas*), which has been accepted by the alcohol registry and started production at the beginning of September.

Saku is the biggest

BNS/Eesti Päevaleht, October 11; *Eesti Päevaleht*, November 7

In the third quarter of the year *Saku* managed to achieve a 50 percent share of the Estonian beer market and hopes to keep this position till the end of the year. During the first nine months *Saku*'s profit has been over 58 million kroons, which is 9 percent down compared to last year. During the third quarter *Saku* sold 18 million litres, which is 24 percent more than last year – and due to larger sales during the summer. *Saku* has increased the assortment of ciders and is the first brewery to offer a low calorie beer.

ML/MLL

September scandal: 67 people die after drinking methanol

Postimees, September 10; *SL Õhtuleht*, September 10; *EPL Online*, September 10; *Eesti Päevaleht*, September 10; *BNS*, September 11; *ETA*, September 11; *SL Õhtuleht*, September 11; *SL Õhtuleht*, September 12; *Eesti Päevaleht*, September 12; *Postimees*, September 12; *BNS*, September 13; *Postimees*, September 13; *Eesti Päevaleht*, September 14; *Postimees*, September 14; *SL Õhtuleht*, September 14; *Postimees*, September 15; *Eesti Päevaleht*, September 15; *Postimees*, September 18; *SL Õhtuleht*, September 18; *Eesti Päevaleht*, September 18; *Postimees*, September 27; *Eesti Päevaleht*, September 27; *Postimees*, September 28; *Eesti Päevaleht*, September 29; *Postimees*, October 11; *Postimees*, October 12; *Postimees*, October 16; *Postimees*, November 7

The methanol tragedy started on September 9, when the police registered the sudden death of a 59 year old woman at 5 o'clock in the morning in Pärnu city. By 4.30 p.m. the same day the emergency ward at Pärnu

Hospital announced that the city had been hit by a wave of poisonings caused by illicit alcohol. At the same time police, defence forces and customs were mobilised in order to find the possible sources and distribution networks so that other potential victims could be warned. By 9 p.m. seven deaths were already registered and a number of people were hospitalised. Emergency wards at Tallinn and Tartu hospitals were prepared to offer assistance when it became clear that Pärnu hospital could not handle a tragedy of this scope.

By the end of October, 67 people had died from methanol poisoning. In addition, 111 persons had been hospitalised but were now at home. Three persons were still under treatment. Apart from two deaths in the neighbouring county Läänemaa, all the fatal poisonings had taken place in Pärnumaa county. As a result of the tragedy, 25 children had lost their parent of which four children had lost both parents.

According to the police, two young men (17 and 18 years old) from Pärnumaa had stolen ten 200-litre barrels of methanol from AS Baltfett in Suigu (Pärnumaa) on September 6. The owner of AS Baltfett, Neeme Tilk, claims it is possible to buy methanol from at least ten different places at 3.5-7 kroons per litre. The company had bought it from Neste Chemicals and uses methanol to produce biological diesel that can be used as a car fuel, to heat houses, or for other purposes. As of today, the people who ordered the theft and those who were involved in the distribution and sale of methanol – a total of 7 persons – have been arrested and they will be kept in custody for the next six months till the investigation is completed. The arrested are accused of causing the death of others due to incautiousness, and risk up to three years' imprisonment. In a comment by the Minister of Justice, Märt Rask, he points out how this case shows a large gap between public opinion and the legislation with regards to length of punishment. The police cannot at present tell whether or not all of the defendants were aware of what they were selling. It has been claimed that a lack of illicit alcohol in Pärnumaa a week before the tragedy caused the influx of methanol on the market and that distributors were told that the stuff they were selling was drinkable, although not quite "up to par".

During the nationwide police operations that followed the methanol tragedy, more than 12,000 litres of illicit alcohol were confiscated – mostly in Pärnu, Võru, Valga, and Harju counties.

Apart from the indirect costs of the whole tragedy, providing intensive care to a single patient costs more than 4,000 kroons per day – Rein Zupping from Tallinn's Mustamäe hospital reveals.

At a government session right after the outbreak of the calamity, Minister of Social Affairs, Eiki Nestor, and Minister of Internal Affairs, Tarmo Loodus, agreed that

different institutions and organizations had cooperated very well during the crisis and thereby showed that the state is functioning appropriately. At the same time Loodus expressed great disapproval of certain organizations and members of the opposition that tried to make use of the tragedy for their own interests. It was also pointed out how the state cannot fight illicit alcohol effectively if there is a general tolerance towards illicit alcohol in society.

On September 13, all flags in Estonia were flying at half-mast. People were mourning the victims of the WTC attack in New York. Two dramas, the methanol tragedy in Estonia and the attack in New York, both took place the same week and were comparable in terms of proportionate number of victims. However, no flags were hoisted for the methanol victims in Estonia. While the complete innocence of the victims in NY is evident to everyone, public opinion is not equally convinced in the case of methanol deaths. Who is to blame for that misfortune? Apart from the question of a (lacking) alcohol policy – this was a hot topic in Estonian media right after the tragedy.

Still easy to get hold of illicit alcohol

SL Õhtuleht, September 11; SL Õhtuleht, September 12; Eesti Päevaleht, September 12; Eesti Päevaleht, September 14; SL Õhtuleht, September 14; SL Õhtuleht, September 17; Postimees, September 17; Postimees, September 19

"Field experiments" performed by reporters of *AS Õhtuleht*, *Eesti Päevaleht* and *Postimees* after the methanol tragedy, once again proved how easy it is to get hold of illicit alcohol. Several options turned out to be available to the reporters; a market place, a basement food store, a bar, different apartments, a Lithuanian registered BMW. Local people know the dealers by name and face. After the tragic events in Pärnumaa dealers are, however, more careful; "foreigners" are detected carefully before being offered any goods, while locals can get a bottle any day. Some dealers did give up their business after the methanol incident, but consumer authorities have found illicit produce in legitimate downtown shops as well.

During the first four days after the methanol epidemic broke out, the police found more illicit alcohol than had been revealed the previous six months – prompting *Postimees* to ask "why now?", considering that most of these dealing places had been known to the police for a long time. The illicit alcohol has been a public secret, also within the police, for years. In *Postimees*' view, hundreds of victims is a high price to pay and that what is needed is not only discussions about the morality or immorality of citizens – one needs a new policy.

However, the magnitude of the tragedy seemed to be necessary in order to elevate awareness about the risks of drinking illicit alcohol – and this is probably a more effective tool in fighting illicit alcohol than any police operation can ever be. This point was also made by regular vodka producers: *Liviko* was among the first to transfer 50,000 *kroons* to a new fund for the support of children who lost their parents in methanol poisoning.

Meri adds fuel to the fire

BNS, September 10; Eesti Päevaleht, September 14; Postimees, September 14; Eesti Päevaleht, September 20; Postimees, September 20; SL Õhtuleht, September 15

In his speech to the Parliament on September 10, President Lennart Meri described the Pärnumaa methanol tragedy as a shameful remnant of Soviet times. He also focused on the alcohol problem in his Mother's Day speech earlier this year.

As for *Eesti Päevaleht's* question about why flags were flying at half-mast in Estonia, and whether this was to honor the deceased in Estonia or in New York, the president's comment was that he did not know of any tragedy in Estonia. Around fifty people died from drinking illegal alcohol – people that chose to cheat their fellow citizens by buying illegal alcohol. In his view the victims of the methanol tragedy were largely responsible themselves for what happened, and that those who died were foolish and careless. It is difficult, but necessary that Estonians keep heart and head apart. As fellow human beings we sympathize with the victims and their families, but as responsible citizens we must not be afraid to say that these people did wrong by cheating us all. We cannot let ourselves be carried away by emotions. We sympathize with everyone who has lost their loved ones, but we must focus more on the fact that the care and treatment of a single case of poisoning costs 20,000 *kroons* and that this money is coming from our own pockets. We are not cheating the Russian state any more – we are cheating ourselves. If we don't understand this much, the only thing left to say is that the gap between state and citizens has grown dangerously deep. Changes can only come about when we fully understand that we not only have rights as citizens, but also responsibilities. What makes these people drink? Nothing but their own habits. Where do these habits come from? Looking at the victims' average age, I can only bitterly conclude that the Russian era set a deeper imprint on the Estonian people than on the Georgian.

The leader of the oppositional Centre Party, Edgar Savisaar, severely criticized the president's speech, claiming this was a clear attempt to evade political responsibility by ascribing the tragedy to the Soviet

heritage. Illegal alcohol was much less common in Soviet times than now and this entire misfortune is a result of current policies. People are so trapped in a corner that nothing really surprises anyone anymore – not even the fact that people drink methanol.

Riho Alliksoo, head of the social welfare department in Pärnu, denies that the methanol victims were self-destructive drinkers – the deceased were mainly low-wage workers or pensioners who never claimed any allowances. They paid their rents in due order and most of them had health insurances. Most of them also had families and could be termed "payday drinkers". In rural areas, if a neighbour asks the other to come to help, he never offers an expensive cognac – in these cases the quantity is clearly more important. Having downed a litre of spirits the "guest labourer" will feel he has gotten proper pay for his work. The misfortune of victims of poisoning was simply that they lived too close to the place where illegal alcohol was sold. The real alcoholics are still happily alive.

"Outrageous! The president must apologize for his outburst". "What does the president know about the ordinary country people who cannot afford anything but cheap vodka? We also want to drink. Perhaps the president has a bottle of whisky at his bedside at all times?" "Doesn't Meri know how many people have died and how many people are in mourning? Aren't they also people?" "The President knows nothing about real life, let him come out and have a look. He could try to walk in my shoes for a week. It is offensive to say that we are foolish and careless" – the reactions were harsh and swift from survivors of the methanol disaster.

"This is the most mediocre funeral speech a president could make to his own people," doctor Robert Suik commented after reading the president's statement. "One gets the impression that these people, as well as their families and children, were social outcasts. They are really being labelled". Dr. Suik and his colleagues fought for several days for each life. The head of the anaesthesiology department and the emergency unit, dr. Silver Sarapuu, does not agree with the president either: "Even among these patients there were decent tax-paying citizens. The president's interpretation is demoralizing; the doctors fought for all these lives and then the president claims these people are not part of society. This is offensive."

No support for Meri's condemnation

Eesti Päevaleht, September 27

In contrast to the retiring president Meri, approximately three quarters of the population do not condemn the methanol victims as the main causes of the tragedy lay

outside their control. An opinion poll for *Eesti Päevaleht* showed that 71 percent of the respondents did not agree with Meri's non-sympathizing attitude towards the victims of methanol poisoning. Moreover, 45 percent blamed the general social situation for the tragedy, whereas 19% blamed the methanol dealers, 16 percent ascribed the situation to the overall alcohol policy, and only 12 percent blamed the drinkers themselves. Seven percent found the police to be guilty. Sociologist Juhan Kivirähk was surprised about the low percentage of respondents blaming the dealers – even those who sell illegal produce must be responsible of the quality of what they sell. The survey also revealed that people had already forgiven their retiring president for his inappropriate commentary.

According to Toomas Vilosius, chairman of the parliamentary social commission, this incident must be seen as an unfortunate accident. Sometimes one gets the impression that alcohol is a necessary foodstuff – but this is clearly wrong. A beneficial consequence of the methanol tragedy has therefore been a sobering up of the population. Vilosius definitely sees some important failures in the government's alcohol policy – for example he questions whether it is right to make strong alcohol so accessible to everyone, including children and youngsters. In his view it could perhaps be better to promote wine drinking.

Public opinion on illicit alcohol

Postimees, September 19

The results of an EMOR survey clearly confirm what media has been writing for years about illicit vodka. Among the respondents 83 percent consider distribution and drinking of illegal vodka a very serious problem in Estonia. Of course the problem is even more prominent in people's minds after the tragedy. Figures showing that 40 percent of the respondents know someone who has drunk illicit vodka during the last year and that 9 percent had done so themselves are indeed alarming.

Postimees regrets the widespread notion that people who drink illicit vodka are the scum of society and that they are completely to blame for their destiny. There seems to be some idea that *we* are smart, beautiful, healthy and rich, and that *we* do not drink illicit alcohol. And so, those who do drink illicit produce simply deserve whatever destiny they face. There is a clear dividing line between us, and them.

Illicit alcohol and alcohol problems in general are social problems that do not disappear by mocking people. We may also ask: hasn't the Estonian state turned their back to people with alcohol problems, leaving them to unemployment and economical suffering? According to the EMOR survey people think the most effective way

to curb illicit alcohol is to lower excises so that legal vodka becomes cheaper. However, *Postimees* points out, a war against the consequences alone does not eliminate the causes.

Why is the black market booming?

Eesti Ekspress, September 20

Eesti Ekspress has looked into the reasons why illicit alcohol business is so flourishing. One litre of spirits costs ten *kroons* when it crosses the Russian-Estonian border illegally. The consumer will perhaps buy 5 or 6 bottles at 20-30 *kroons* each. For every ten *kroons* a profit of 100-180 kroons is generated. The total turnover of the alcohol business is estimated at about 165 million *kroons* per year. Prominent figures within both the legal and the illegal alcohol industry live their lives in luxury. The illegal business is flourishing, as there is a great demand for their production. According to survey results, two out of five adults buy illegal alcohol. The average price of illegal vodka dropped from 51 to 47.6 *kroons* per litre, whereas the average price of legal vodka increased from 137 to 138.3 *kroons*. The difference is almost three-fold. According to *Eesti Ekspress*' sources there are 5-7 bigger criminal groups in Estonia that import spirits illegally. The market is not split up between them – whoever has any goods, sells. The only thing that matters is price and availability. One group can supply 20-30 smaller "vodka units". The police do not know how many such units exist. The illegal production does not require a lot of investments, as the quality of the produce is no priority. When some dealers or producers are arrested, there is never any problem replacing them. Consumers are loyal to the dealers and do not cooperate with the police. The Pärnu tragedy was an exception in this respect - mainly of the many lives that were threatened.

The assortment of illegal import is nonetheless changing: At the beginning of the 1990s, vodka in glass bottles was the main import article. The glass bottles were later replaced by plastic, and now the vodka is usually produced locally with only the spirits being imported. At the same time legislation promotes the illegal business by high excises and mild penalties.

Searching for a scapegoat, or at least an explanation

Eesti Päevaleht, September 27

In a small country 60 people died of methanol poisoning in two weeks. "Who is guilty?," *Eesti Päevaleht* columnist Enn Soosaar wonders.

First of all, those who stole, diluted, bottled and sold the stuff. If the police get hold of them, they will be punished. Still, according to the criminal code the maximum punishment for causing someone's death due to negligence is three years' imprisonment.

Secondly, legislators and executive authorities must take their share of the blame. Had there been an adequate Estonian alcohol policy, this tragedy would not have occurred. Ministers and members of parliament cannot be incarcerated, but everyone can rail with pleasure.

The third category of suspects consists of poverty, social insecurity, and depressive everyday lives. Ten years have passed by but no government has managed to eliminate poverty.

Who, then, is not guilty? The question is easy to answer for those who have read the papers, listened to the radio or watched TV lately. Those who are not guilty are a) a pro-vodka attitude among the public, and b) the drinkers themselves.

We live in a culture where it is not appropriate to talk about the rope in a hanged man's house. The President wanted to focus on the underlying reasons behind the tragedy and was met with a wave of verbal abuse. We may accuse, rail and sympathize, but not talk about the essential matters. The deceased must only be remembered with kind words.

Still, we all know that these deaths were not caused by an unavoidable *force majeure*. All sixty could have been alive today if they hadn't done two things: bought illicit alcohol and drunk hogwash mixed with methanol. As many commentaries have stressed, people did not realize that violating the law and indifference about one's health may be lethal. Had they known, they would have refrained from drinking a single drop.

Estonians have alcohol problems for ages. Knowledge about how to make vodka enhanced massive drinking. But so did the various attempts at fighting alcohol. The church, and papers and books threatened people about the destructive effects of the "vodka plague". The state limited the availability of strong drinks and until the Soviets came, the temperance movement was a useful tool in the struggle against alcoholism. Today's Estonia is a free country where everything is acceptable. Whoever wants to drink is free to do so.

But, alcohol need not be available for everyone at all times. Why is alcohol advertising tolerated? Why it is not understood that beer-festivals and other cultural drinking campaigns are the first steps of the degeneration that ends in alcoholism for many. Why is there no viable temperance movement?

Dissatisfaction is great, as is the longing for an honest society. What did the retiring president want to tell us? Nothing that hasn't been heard before. Simply that changes will not come about until there is a common understanding that the drinker is an innocent victim and that lawbreaking is a normal activity. What was he warning us of? He warned us of condoning the idea that nothing is your own fault and that therefore nothing is your own responsibility – including our health and the well being of our family. The manor and the kolhoz are responsible – it's their fault that life is bitter while vodka is sweet.

Alcohol culture on the stand after methanol misery

Postimees, September 11; AS Õhtuleht, September 11; Eesti Päevaleht, September 12; Postimees, September 12; Postimees, September 13; Postimees, September 26; Postimees, September 27

The many deaths from methanol poisoning shocked the entire society and have put alcohol problems at the centre of attention. Illicit alcohol and alcohol related deaths are not necessarily a heritage of Soviet times. The Soviet legacy is in fact the drinking culture, or rather "drinking cultureless". Traditional village societies were destroyed and rural people were forced into kolhoz-sovhoz centres. By cutting off people's roots, the previously strong social responsibility in peasant societies dissolved, with alcoholism as a result. However, data on alcohol-related deaths show that the largest problems in Estonia occurred during the mid-90s. At that time the greatest transitional drawbacks took place and social problems deepened. Alcohol problems are largest in regions with the greatest social problems. For example, the regions with the highest unemployment, Ida-Virumaa and Võrumaa, also have the greatest drinking problems. At present, illicit alcohol certainly is a social problem. The weakest are the ones that suffer most, and, unfortunately, Estonia does not have a policy to support the weakest in society. The slogan that "everyone has to take care of himself" is destructive for a small country.

The fact that people buy illicit alcohol most likely indicates how defective the government's alcohol policy is; excises are too high, and therefore people buy cheaper illicit vodka. In this case the easiest solution would be to lower excises and to improve police work. If so, the probability of similar tragic events occurring would certainly diminish. Still, one cannot eradicate these risks completely and one has to keep in mind that drinking regular alcohol is also destructive to one's health. The main problem does not seem to be that people drink illicit alcohol but the fact that Estonians drink too much and drink all kinds of alcohol at random. Why is this so? When cultural background

encourages drinking, reasons are ample – starting with unemployment and ending with the need to relax from overworking. Excessive drinking has been a problem for Estonians for centuries. Too little has been done to lower alcohol consumption – one seldom hears a call for abstinence from public figures, more often they promote the opposite. Alcohol advertising is thrust upon you from doors and windows, in open or veiled form. We have (and do not have) restrictions on sale of alcohol to minors. The right to fix hours of sale is delegated to local authorities. But in Estonia, it is fair to say that the predominant policy is to have no policy. If the general attitude changes after this tragedy, the victims should be sanctified. But as far long as no changes are apparent, it is better to put most faith in your own hard-headed judgment.

“It is odd and disgusting that the current debate about the government’s alcohol policy mainly concerns the increase or decrease of excises, and whether or not to place the moonshine apparatus in every technically competent person’s kitchen,” academic Karl Rebane wrote in *Postimees*. “—as if it weren’t enough that vodka is extremely accessible -- vodka also to become cheaper.” Rebane is one of those who think that the Estonian nation has no future if vodka drinking does not significantly decrease. The temperance movement needs both moral and financial support, even if it is evident that less drinking means lower profits for alcohol producers and thereby also less state revenue. The only solution is a contemporary version of a state alcohol monopoly. The state would then get its revenues and the monopoly outlets would be able to form supportive networks to limit illegal sales.

The president’s advisor Toivo Klaar wonders if it isn’t time to stop focusing on the consequences of excessive drinking and instead pay more attention to prevention – primarily by changing the attitudes towards and understanding of drinking. The main question is, then, not really about illicit alcohol but rather about Estonians’ general acceptance of excessive drinking. The Estonian society and its leaders are too tolerant of alcohol consumption, consenting to its being almost ubiquitous. The kiosks are a case in point, according to Klaar. In these kiosks one usually buys products for immediate consumption or at least not for home consumption. Therefore, selling beer in kiosks promotes drinking in public places - on the street, in the park. Beer is made comparable to non-alcoholic drinks. Furthermore, it is more likely that those who drink kiosk beer do not go to bed afterwards, but continue on their way to work, or drive a car. Removing it from kiosks is likely to change the perception of beer. Beer would then be grouped with other alcoholic drinks, as it should. This is not about prohibiting beer or making it non-accessible, but about changing the perception of beer to an alcohol beverage like any other.

As for drinking in public places police work must become more effective. People normally don’t want to get into trouble with the police and will probably refrain from further public drinking after being warned. Drinking is no longer something one can do anywhere at any time, only at certain times in certain places.

Jürgen Ligi (MP, Reform Party), holds that it is immoral to demand cheap vodka by lowering excises. The question is whether we should risk the lives of a few people, or prolong the suffering of thousands. Ligi understands that vodka producers right after the tragedy started to accuse the excise policy; worrying about company turnover is their job. The attack was, however, very badly timed. Even with the current excise levels, Ligi argues, legal alcohol causes more deaths than illegal production. The lower the price, the bigger the sales – there’s no doubt about that. Excise is the government’s policy, Ligi explains. Harmful production has to be hampered, and also highly taxed. Tax incomes must then be used for general purposes. Excises must be used to limit consumption and to generate revenues, but shouldn’t exceed the level where they are smaller than the cost of damages caused by illicit production.

Professor emeritus at Tartu University, Ene-Margit Tiit, wonders whether it really is that increasing legal vodka sales means less illicit vodka, and that increasing the consumption of light alcohol will lower consumption of strong alcohol. These measures might instead increase the total alcohol consumption in Estonia – which already is too high. Claiming that illicit alcohol has always existed and always will is not very convincing; it is of course not possible to eradicate all crime, but we still wouldn’t close the courts and fire the police. An alcohol policy has to find the means to limit alcohol production and distribution – both legal and illegal (in the wrong place, at the wrong time, for the wrong persons) to make alcohol less available for young people. Alcohol advertising must be prohibited and alcoholics should have access to treatment.

Suicide researcher Airi Värnik hopes that the tragedy reminded us that alcohol is a potentially lethal poison; during the past 30 years, over 6,000 men and over 1,200 women have died from alcohol poisoning. During the latest years the average number of such deaths has been 265 per year. With these figures in mind, the lack of concern among politicians, local authorities, police and media seems dreadful. Is it really a matter of indifference, or rather the materialistic values prevailing in all developed countries? During the Soviet era alcohol profits ended up in the state treasury, but it is unclear where they end up now. Excessive drinking has been ascribed to depression among people. But if drinking among privileged groups (politicians) is also caused by moodiness, hopelessness, helplessness, and personality problems, then might as well put a roof over Estonia and declare the state a psychiatric hospital.

Instead of “importing” economic experts, therapists and doctors specializing in alcohol dependence and depression ought to be called in. However, during the last years the number of deaths due to alcohol poisonings has decreased. Should this make us optimists? No – the figures are still too high in comparison with other countries. According to Värnik, who is also professor of social psychiatry, every large decision at the government level must not only be based on economic expertise, but also on psychological knowledge in order to foresee how reforms function in people’s minds. Obviously, not everyone has the same skills, but the government should be concerned with making use of everyone’s capacities and not leaving those who are less capable to cope as best they can. This is the only way to lessen depressiveness and the excessive drinking that follows from it.

Prime minister announces measures against illicit alcohol

Eesti Päevaleht, September 14; Postimees, September 14

In the aftermath of the Pärnumaa methanol tragedy, prime minister Mart Laar revealed that the government is preparing a continuation program to attack illegal vodka that includes all penal structures as well.

According to Laar, the tragedy pointed out a need for changes in the legislative system. The prosecutor’s magistracy has been reorganised to remove obstacles towards getting warrants for raids and house searches. Apart from making police work easier, it means that the government has shown a will and capability to tackle this problem, although it is ultimately every person’s responsibility to decide whether or not to drink.

Methanol has killed before

Postimees, September 11

The methanol tragedy in Pärnumaa is not the first one in Estonia. In 1984, 22 people died in Ida-Virumaa (in the Kiviõli mining area where methanol was used in the chemical industry) after drinking methyl alcohol, and 12 people were blinded. However, the tragedy was hushed down by the authorities that even attempted to avoid public attention by prohibiting the burial of the victims at the same time and at the same graveyard. All that was published about the matter was one article in the local newspaper about the harmfulness of methanol. Since the 1990s, there have been 11 lethal cases of methanol poisoning all in all – four in 1994, one in 1998, and six in the first part of 2001.

New alcohol law from February 2002

Eesti Päevaleht, October 10; Eesti Päevaleht, October 12; Eesti Päevaleht, October 17; SL Õhtuleht, October 11; SL Õhtuleht, October 13; SL Õhtuleht, October 12; Postimees, October 22; SL Õhtuleht, October 25

A draft for a new alcohol law – prepared by the Ministry of Economics – is being processed in Parliament. The draft proposes to ban alcohol sales at sports competitions, which means that *Saku Suurhall* will have to give up selling the beer of their key sponsor *Saku* brewery. If so, *Saku Suurhall* will find themselves in great financial difficulties. Lawyers are, however, drawing their weapons, claiming this case could form precedence because EU countries allow the sale of alcohol at sports events. *Saku Suurhall*’s administrative manager, Riho Remmel, says that they intend to abide by the law if it is imposed. Beer drinking is at present only allowed from plastic cups in order to avoid accidents. However, Riho Remmel finds the dry law at competitions is strange and that it will take us back to 1985, when Gorbachev introduced a general dry law.

The draft also suggests that kiosks stop selling beer, ciders, and long-drinks. Sale of strong alcohol from kiosks is already forbidden. Headmaster at the Raatuse Gymnasium in Tartu, Aivar Paidla, clearly supports the idea, which will make alcohol less accessible. But one has to think of the possible side effects as well – this might also bring back taxi-vodka.

Saku head Cardo Remmel, not to be mistaken for Riho Remmel, claims that the present type of kiosks could just as easily be abolished – which he himself has nothing against. Only prohibiting legal alcohol sales from kiosks will not stop sales of illicit produce. He never buys beer from kiosks himself since he doesn’t want to walk on the street carrying beer bottles.

Deputy police director, Jüri Kasesalu, also supports the idea of prohibiting alcohol sales from kiosks and believes this would improve public order. The practice of prohibiting alcohol sales at Valbourg night showed that the number of riots was significantly lowered. This measure would also make alcohol less available to youngsters and the number of outlets would clearly be reduced, making it easier to control the rest of them.

According to the draft the new minimum purchasing age will be 21, and nightly sales will be limited. Minister of Finance, Siim Kallas, is generally positive to the proposed changes but does not believe that these restrictions will actually reduce drinking. As long as illicit sales are not curbed, night-time sales restrictions will only increase black market profits.

It is expected that the draft will be discussed extensively. The aim should still be to reach a solution that is acceptable to as many as possible, i.e. to write a law that is feasible to implement and control.

Läänemaa introduces Estonia's most rigorous alcohol policy

Postimees, November 12

If the Taebla parish administration approves the present sketch, Läänemaa county will soon have the most rigorous alcohol policy in Estonia. According to Jüri Hiiesalu, Taebla parish council leader, both strong and light alcohol sales will be prohibited from 9 p.m. to 9 a.m. from January 1st next year until further. "Alcohol does not have to be available 24 hours a day", he says. According to Hiiesalu, the demand for sales restrictions was influenced by similar restrictions in the neighbouring Ridala and Haapsalu municipalities, as well as by the methanol tragedy. It is primarily people whose drunken behaviour causes problems that make use of round the clock access to alcohol – and therefore these options must be limited. At present, four licensed retail stores in Taebla sell alcohol round the clock.

In the adjacent Haapsalu and Ridala municipalities sales restrictions (from 9 p.m. to 7 a.m.) were introduced last spring and are meant to prevail till the end of this year. However, the mayor of Haapsalu, Urmas Sukles, wishes to prolong the restrictions because of the positive effect on riots. The cities of Pärnu, Kuressaare, Viljandi, and Tartu also have sales restrictions, albeit not as strict as those in Läänemaa county.

ML/MLL

Vodka cheapest in Estonia

BNS/SL Õhtuleht, June 5

The cheapest vodka in the Baltic countries is in Estonia and the most expensive in Latvia: vodka with an alcohol content of 40 percent costs \$7.90 in Latvia, \$6.35 in Lithuania, and \$6.34 in Estonia.

ML/MLL

Legal vodka sales double

BNS, September 11; Eesti Päevaleht, September 19; Postimees, September 20; SL Õhtuleht, October 12; Postimees, October 16; Postimees, October 17

Due to the methanol tragedy, legal vodka sales doubled in September. Usually sales figures decline in

September. The trend was visible both in rural areas and in towns. Only big shopping centres, like the Stockman department store, did not produce any significant changes in sales statistics. According to *Liviko's* marketing director, Janek Kalvi, the total increase was mainly accounted for by increased sales of cheap vodka. According to Aleksander Skoblov, chairman of the board of the biggest vodka producer *Onistar*, legal vodka was now also bought by customers for whom even a few *kroons* price difference is important. After the tragic events many people started to focus on quality and, if possible, rather buy proper alcohol.

Nonetheless, vodka producers generally predict that the effect will be rather short lived and that people will soon be buying illegal vodka again. The authorities therefore have to get more involved in fighting the illicit trade, either by means of police activity or by decreasing the alcohol excise so that legal vodka becomes more accessible. Skoblov pointed out how producers are now involved in a working group established by the Minister of Internal Affairs, Tarmo Loodus, to fight the illegal vodka business. Although vodka producers consider lowering of excises as an essential measure, the state is not yet ready for this approach.

The chairman of the City Council of Pärnu, Väino Linde (Reform party), does not think that the problem of illicit vodka can be solved by lowering legal vodka prices or by legalizing home distillation. Getting people drunk as cheaply as possible cannot be the state's main aim. Lowering excises will not stop the illegal alcohol trade because black market produce will always be even cheaper. Right after the methanol tragedy the Estonian Vodka Association's board stated that the main reason behind the large supply of illicit vodka is the high level of excises for strong alcohol - 1.7 times higher than suggested by EU-directives. They also found it immoral and inappropriate for a statesmen to claim that the victims of this tragedy and potential victims of illicit alcohol are responsible for their own fate and to renounce any societal responsibility. In response, the Minister of Finance, Siim Kallas, accused the vodka producers of using the methanol tragedy to guard their own business interests – and *that* is clearly immoral.

Liviko still king of the vodka market

BNS / Eesti Päevleht, September 18; BNS/ Eesti Päevaleht, October 3; BNS/ ETA/ SL Õhtuleht, October 12; BNS/ SL Õhtuleht, August 29; Eesti Päevaleht, June 5; Eesti Päevaleht, June 26; Eesti Päevaleht, June 6; ETA/ Eesti Päevaleht, August 3, BNS/ Eesti Päevaleht, August 29; Eesti Päevaleht, June 27; Eesti Päevaleht, June 27; Eesti Päevaleht, July 11

Declining market shares has forced *Liviko* to invest more than two million *kroons* to in brightening up their

oldest brand *Viru Valge*. Evald Pärni, director of competing producer *Havistra* admits that *Viru Valge* is certainly the best-known vodka in Estonia. But, fame and success are not always the same thing. This year *Viru Valge's* sales figures have been half of those of *Saaremaa Viin*, although Liviko's market director, Janek Kalvi, questions the accuracy of Pärni's sales figures. Next year Liviko is planning to make *Viru Valge* the best-selling vodka brand in Estonia, and have renewed bottle design and labels as well as improving the taste. Kalvi also explains that Liviko will launch a campaign in June to boost their new image.

According to figures from the Estonian Vodka Association (Eesti Viinaliit), *Liviko* is market leader when it comes to strong beverages (33.7 % or more), as well as vodka production (28.8 %). In October, *Liviko's* vodka market share was 30 percent. *Viru Valge* accounts for 23 percent of *Liviko's* total turnover. In June, *Liviko* sold 258,560 litres of strong alcohol, of which 182,170 litres were vodka. Profit for the first six months added up to 12.8 millions *kroons*.

The most popular of *Liviko's* vodka brands has been *Laua Viin* - their cheapest vodka. Estonians annually down over 8 million bottles of vodka.

Jüri Kõo, chairperson at *NS Investeeringud* (owner of *Liviko*), is one of Estonia's leading businessmen. Along with his three business partners from Liviko he earned over 7 million *kroons* in Liviko dividends during the first half year. In a public statement the Estonian Vodka Association maintains that the excises for strong alcohol are too high. Thereby stimulating the spread of illicit goods on the Estonian vodka market. If excises drop from 145 to 115 *kroons* per litre, the retail price of a half litre of vodka will decrease by six *kroons*.

ML/MLL

LATVIA

Midsummer drivers – beware!

The Baltic Times, June 21

The Latvian Parliament passed new legislative amendments June 14 calling for harsher punishment for drunk drivers. The new amendments set a minimum blood-alcohol level of 0.5 and levy set fines based on blood-alcohol content. Those who have a blood-alcohol level of 0.5 to 1.0 will be fined between 100 and 250 lats (\$156 and \$390) and face a six-month drivers license suspension. The punishment for driving with a blood-alcohol level of 1.0 to 1.5 will be a fine of 200 to 350 lats and suspension of the drivers license for up to

two years. If a drivers blood-alcohol level exceeds 1.5, the fine will be 300 to 450 lats and the license suspension will be for up to three years.

Juris Teteris, who heads the drivers testing department at the Ministry of Transport's road safety department, hopes the amended law will help curb Latvia's problem with drunk driving. A driver may now be fined and have his or her license suspended. Previously it was either one or the other.

Teteris's office is currently running a campaign to remind drivers about the last Midsummer holiday, when 25 people died and many more were injured in traffic accidents. MPs have been debating changes of drunk driving laws for a while, but "the Bloody Midsummer" fuelled the process.

Kristis Leiskalns, spokesman for the state police, said that this year police will double efforts to detect drunk drivers. "We are running a campaign from June 20 to 25 when we will pay extra attention to drunk drivers". It is important to inform not only drivers but also passengers about their responsibilities. "One of the most important things with the new legislation is the progressive element; the more you drink, the more severe the punishment".

MB

Latvijas Balzams bought by Russian rival

The Baltic Times, June 28

Russian drinks giant Soyuzplodimport, part of the SPI group, recently announced the purchase of a controlling stake in Latvijas Balzams. CEO Andrei Skurikhin explained that the purchase was the "logical solution" to the dispute between Soyuzplodimport and Latvijas Balzams over Latvijas Balzams' use of the Moskovskaja, Stolichnaja and Sovietskaja Shampanska brand names, which are owned by Soyuzplodimport and used under license by Kristal (Russia).

"Having gained control of the Baltic countries' largest alcohol producer, SPI has not only settled one of the most serious trademark ownership disputes, but is has also obtained an essential foothold in Europe, allowing it to significantly raise production and sale of its products, including Stolichnaja and Moskovskaja vodka.", the statement read. Last October the Riga District Court ruled that Latvijas Balzams, which also produces Latvia's national drink Rigas Balzams and its own LB vodka has to stop using Soyuzplodimport's brand names. Raimonds Lochmelis, spokesman for Latvijas Balzams, declined to comment on Skurikhin's statement and staff at NTBDC LB were not available for comments. NTBDC LB is among the companies that make up the New Technology and Business

Development Corporation, formerly the Ave Lat Group of People's Party leader and former Prime Minister Andris Skele. Its shareholders resolved to liquidate the company at a meeting last December. Maris Manchinskis, head of financial markets at Hansabanka, applauded the deal. "It will allow synergies between Soyuzplodimport and Latvijas Balzams, at a time when there is a lot of competition. They will want to expand to Estonia and Lithuania and sell Soyuzplodimport's products there."

MB

Russian liquor goes international

The Moscow Times, September 26

Soyuzplodimport currently holds the rights to Stolichnaya vodka, the best-selling vodka brand worldwide last year according to marketing agency Impact Databank. In Russia, Stolichnaya is produced by more than 100 factories under licenses issued by Soyuzplodimport, which owns another 40 formerly state-owned alcohol brands.

The SPI Group of international companies, of which Soyuzplodimport is the Russian representative, is expanding its activities and recently acquired the biggest distillery in Latvia -- Latvijas Balzams.

CEO Andrei Skurikhin talks about Soyuzplodimport's future plans:

Q: *Do you plan to buy any other companies abroad other than LB? Several vodka distilleries have been up for sale in Poland.*

A: We are currently discussing offers from Poland, but it's not just a matter of buying something – any acquisition must fit in with our concept.

Q: *How is SPI presently organised?*

A: It is a group of companies with a common ideology or a common owner. It includes the SPI-RVVK factories in Kaliningrad and LB in Riga, as well as Soyuzplodimport. Several other factories may possibly be included in the near future. SPI controls 50 percent of the hard-liquor market in Australia and 80 percent in Chile and also has quite a strong position in the United States, Germany, Spain and other European countries.

Q: *According to the Moscow Registration Chamber, there was a change in ownership at Soyuzplodimport this year. Why?*

A: Actually, the ownership of SPI Group changed a year and a half ago. As recommended by our financial consultants, we won't disclose who exactly owns the group before we enter international stock markets.

Q: *Recently you announced your company had plans to sell Stolichnaya vodka in Russia. What are your plans for promoting this brand?*

A: Chaos now rules on the Russian market. About 100 enterprises produce Stolichnaya on license, while another 400 do so illegally. It is impossible to control the quality of the product over such a huge number of distilleries, so we decided to sell Stolichnaya in Russia separately. Before Jan. 1, 2002, all factories will have their licenses revoked. In October this year, we will begin selling the very same Stolichnaya that goes on sale abroad, which is bottled in the SPI-RVVK factory in Kaliningrad. We will invest about \$2 million in promotion, and after three years, we plan to get our total sales up to 50 million litres.

Q: *How large is turnover in Latvijas Balzams?*

A: \$100 million per year. This may not be much for Russia, but for Latvia, this is a huge figure. LB is the No. 1 taxpayer in the republic. And so, the Latvian government naturally awards LB the same sort of attention that e.g. Gazprom gets over here.

Q: *What do you plan to do with their range of products? After all, LB produced Moskovskaya vodka for a long time without your permission.*

A: We will continue making it, but now we'll be doing it legally. We may even produce Moskovskaya for export. We may even move part of the production in Kaliningrad to LB. This won't make much difference for Western markets that still regard Latvia as part of the Soviet Union. As for quality, LB has very good products, so there won't be a problem.

Q: *Is the purchase of LB not an attempt by Soyuzplodimport to move production out of the country?*

A: This is only partly true. It was only one of our considerations when purchasing the plant in Latvia. A form of insurance, if you like, since Russian authorities can be exceptionally irresponsible. Either they privatise everything, or there's a demand for nationalisation. We would like to see some sensible measures from the state, but considering Russia's history, everyone has to look out for himself. Our trademarks are already protected by international legislation and will remain ours regardless of what happens in Russia. This isn't the main thing, though. LB controls 70 percent of the liquor market and 70 percent of the champagne market in Latvia, as well as 35 percent of the champagne market and 15 percent of the wine market in the Baltic region. So, all in all, this is a good investment.

Q: *Will LB produce goods for Russia?*

A: How the factory develops will clearly depend on how the Russian market fares. We plan to return the Rizhsky Balzam brand to Russia this fall. This was an important brand that was famous in the Soviet Union and didn't lose its good image. We are certain it is no worse than the large number of balzams that were produced in Russia over the past 10 years. Rizhsky Balzam has a unique recipe and includes 24 natural ingredients: herbs, roots, flowers, etc.

Q: *How big is the market for Rizhsky Balzam?*

A: Well, it's not as big as vodka. In 2000, less than 10,000 litres were shipped to Russia. The drinking

culture is changing in Russia. People are starting to drink cocktails. The market for low-alcohol cocktails is growing by 70 percent per year, and Rizhsky Balzam fits in neatly with this trend. It's a very good mixer in various cocktails.

Q: *How is your relationship with Rosspirtprom? You did, after all, disapprove of an agreement between Rosspirtprom and the Ministry of Agriculture on the issuing of liquor quotas.*

A: We have no problem with Rosspirtprom. I often meet with their general manager. But as far as quotas are concerned, I am convinced this is illegal. A state enterprise -- like Rosspirtprom -- cannot perform administrative or control functions. Despite certain differences of opinion, we plan to continue working with Rosspirtprom.

Q: *What do you think of the new excise system introduced from June 1?*

A: I believe that dividing excises is correct. The system must break down the administrative barriers built by the governors and decrease turnover from illicit alcohol. But a good idea is always subject to foolish implementation. Since January the government has been trying to put some order into the alcohol market, but many problems still remain.

MB

LITHUANIA

Svyturys - Lithuania's best beer?

The Baltic Times, July 19

Svyturys, which means lighthouse, is certainly one of the beacons of success in Lithuania. The success story started in 1784 when a Klaipeda merchant, J.W.Reinecke, felt it was time for the port to have its own local beer that could compete with better-known brews from other regions.

Despite the turbulent history of the region, the beers have remained virtually unchanged. Even the sea eagle, originating from the Reinecke family coat of arms, is still to be found on the Svyturys emblem. Now a major business with 200 employees, the lighthouse beer is well known to all Lithuanians, who bought over 56 million litres last year.

The brewery was restored after the war in 1946 and was equipped with the first bottling assembly line in 1950. In 1973 Svyturys became the first brewery in Lithuania to pasteurise its beer.

When the Soviet Union collapsed Svyturys was turned into a joint-stock company, with employees holding the majority of shares. Reinvestments of profits soon paid off, as Svyturys became one of Lithuania's most

popular beers.

From 1999 to 2000, sales increased by nearly 43 percent, turnover by 58 percent and its net profit rose by nearly 36 percent. This year sees the same impressive figures, with a reported 22.1 percent increase in sales for the first half of this year compared to the same period last year. Svyturys has also won several prizes for its beers, both domestically and internationally.

The Svyturys success soon attracted the interest of bigger players, and in 1999 Danish Carlsberg A/S acquired control of Svyturys shares and now owns 58.1 percent. Other major shareholders include a Danish investment fund (20.6 %) and the European Bank for Reconstruction and Development (19.9 %). Carlsberg was keen to get a foothold in the emerging Eastern European market and Svyturys provided a welcome opportunity. Since then Carlsberg has merged with the Norwegian Orkla, which has given Carlsberg controlling interests in another 12 breweries across the former Soviet Union -- including former Lithuanian rivals Kalnapilis and Utenos. The former of these will, however, soon be sold off following a ruling of the monopolies commission

According to Tomas Kucinskas of Jungtinis Alaus Centras, explaining the success is quite simple: "Consumers may choose between a variety of beers from 200 smaller or bigger breweries in Lithuania. Stable and high quality is most important for them". But success also means more hard work: despite running at maximum capacity, the brewery is not able to meet demands. If the Svyturys brand is going to survive the 21st century, a modern plant will have to be built in a more commercially viable location on the outskirts of the town. Plans to relocate have recently been put on hold while Carlsberg A/S comes to terms with its new acquisitions.

MB

Vodka up, wine down

The Baltic Times, July 26

Sales of strong alcoholic beverages in Lithuania were up by 2.6 percent while wine sales declined by 33.7 percent during the first half year compared to the same period last year. According to data from the Lithuanian Food Industry Association around 11 million litres of strong alcoholic drinks and around 4.7 million litres of wine were sold between January and June this year.

"Wine became less popular because of unbalanced excise policies. But after a lower excise was imposed and an import duty was levied on wine in June, sales should be rising in the future", says Stanislovas Dulskas, president of the association. Alita was ranked first in wine sales and second in liquor sales this year, followed by the Kaunas-based Stumbras. The leader in

the liquor market in this respect was Vilnius Degtine. In the first half of this year, Vilnius Degtine posted a loss of 850,000 litas, Sema and Anyksciu Vynas' losses stood at 900,000 litas and 4.23 million litas respectively. Meanwhile, Lietuviskas Midus and Alita reported profits of 10,000 litas and 574,000 litas respectively.

MB

Police chases beer drinkers

The Baltic Times, August 16

Lithuanian police may now teach beer drinkers good manners. People caught drinking beer in public places now risk fines or even imprisonment.

According to a ruling by the Lithuanian Administrative Court's, the police may give public beer drinkers an oral warning or impose a fine from 30 litas (\$7.50) to 50 litas. If caught repeating the offence, the beer drinker may face a fine of up to 100 litas. A third strike can cost from 150 - 300 litas, or a 30-day jail sentence.

The court ruling was a consequence of complaints from Palanga's police chief Romualdas Stankevicius about the noisy behaviour of youngsters drinking beer in the streets of the west coast sea-resort. Vilnius Mayor Arturas Zuokas fuelled the debate by stating; "young men gulping beer from bottles create an image of an aggressive town."

Previously, police could not take action against beer guzzlers because of contradictions in Lithuanian laws. Use of alcohol outside bars or restaurants has always been forbidden. However, the definition of alcohol is not coherent and so some laws categorise beer as alcohol, while others don't. In the end, the court decided that beer indeed was alcohol.

Vilnius police took their first ride hunting for beer drinkers on the evening of August 10. Erikas Kaliacius, Vilnius' police chief, instructed policemen not to mass-impose fines and penalties as long as drinkers were not behaving like hooligans. Luckily for these guzzlers, it was a rainy evening and nobody was out drinking in the streets of the capital.

The next day young people were sitting on benches and drinking beer on the central boulevard with many outdoor cafés where beer drinking is legal and even encouraged by mayor Zuokas.

"It's cheaper than drinking in a pub. Young people all over people drink this way", Vilnius University student Rita complains. She and her two friends have just opened each their beer: "It creates a free and democratic atmosphere. Sure, we won't drink here if the police

decide to get tough on this matter. I think Zuokas just wants to increase the income of restaurant owners. Rich folks help rich folks".

Eduardas Mosunovas, manager of the Finjan restaurant on the same street does not expect greater incomes: "Students and other young people will want to drink cheaper beer anyway".

MB

MAIN SOURCES:

Newspapers:

The Baltic Times, Belorusskaya Delovaya Gaseta, Eesti Ekspress, Eesti Päevaleht, The Moscow Times, Postimees, The Russia Journal, SL Öhtuleht, St Petersburg Times, Trud

Newlines on the web:

www.bnsnews.bns.ee Baltic News Services (BNS), EPL Online, eta.www.ee Estonian News Agency (ETA), www.rferl.org (Radio Free Europe/Radio Liberty Newline)

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Per Carlson: Risk behaviours and self rated health in Russia 1998. *Journal of Epidemiology and Community Health* 2001; 55: 806-817.

Therese Reitan: "Om metanol og metaforer". Commentary about the methanol tragedy in *Fædrelandsvennen* (in Norwegian): www.fedrelandsvennen.no/kommentar

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