

Russian Government Cracks Down on Counterfeit Alcohol

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According to the Rosstat state statistics data, 15,400 people were poisoned by alcohol in Russia last year.

Prime Minister Dmitry Medvedev has ordered a crackdown on counterfeit alcohol products and equipment for their production, in a bid to tackle a rising tide of illegal liquor in Russia.

A government decree published Monday tasks the country's alcohol market watchdog with destroying unlicensed products with an alcohol content above 25 percent and related manufacturing paraphernalia. The watchdog is yet to determine how any seized items will be liquidated.

The decree is intended to tighten a failing system. Until now, the Interior Ministry has been charged with repressing the illegal liquor trade. The ministry used to send seized products to chemical plants to be plowed back in to production, but they would often simply reappear on the black market. So it abandoned the practice and now keeps confiscated goods in

warehouses, where they are destroyed only after a court decision.

But despite these measures, over the past several years the amount of illegally produced, imported or sold liquor has risen sharply. In 2014, up to half of the alcohol consumed in Russia was made or distributed on the black market, the RBC newspaper reported earlier this year, citing the Federal Service for Alcohol Market Regulation — the watchdog now in charge of the crackdown.

The increase in demand for illicit alcohol followed the introduction of higher excise duties that made drinks more expensive. According to RBC, this quickly led to more illegal imports of cheaper vodka from Belarus and Kazakhstan, two neighboring countries that are part of a Customs Union with Russia.

Over the past several years, the price of a liter of vodka has more than doubled to 220 rubles (\$3), Vadim Drobiz, director of the Research Center for Federal and Regional Alcohol Markets, told The Moscow Times.

That may appear cheap, but compared to the average wage, the cost of alcohol in Russia is 5-8 times higher than in many other countries, Drobiz said.

Counterfeit alcohol is manufactured in Russia by both legal and illegal alcohol producers.

More than half of Russia's liquor plants have closed since 2007, but their equipment has often been left intact and they have continued to produce alcohol products either without excise duty stamps or with fake ones, Drobiz said.

According to Pavel Shapkin, head of the Center for the Development of a National Alcohol Policy, around 300 liquor plants in Russia have been stripped of their licenses for sanitary violations, failure to comply with regulations and other reasons, yet are still involved in alcohol production.

Yet half of the illegal alcohol in Russia is still manufactured by legal liquor plants that are not happy with high excise taxes and are trying to make money by selling products on the side, Shapkin told The Moscow Times.

The production of one bottle of illegal vodka helps producers save 120 rubles (\$2) by not paying the taxman, he said.

The new powers given to the Federal Service for Alcohol Market Regulation allow not only for the destruction of confiscated products, but also of the equipment used to manufacture and distribute them.

This is meant to inflict a serious blow to the industrial production of counterfeit alcohol.

The equipment will be seized both from illegal factories and legal producers caught manufacturing for the black market, Shapkin said.

However, the new measure has a reverse side. Many Russians can't pay for more expensive drink, and incomes are now falling thanks to a deep economic slump. But people's need for the alcohol remains, Drobiz said. As a result, more people will turn to spirits and alcohol-

based liquids, or start producing alcohol themselves.

Rising prices have already led to a boom in demand for alcohol-making equipment.

According to Igor Chuyan, the head of the Federal Service for Alcohol Market Regulation, sales of alcoholic drinks last year dropped by 14.5 percent compared to the previous year, while sales of moonshine brew kits rose by 3-4 times, the Interfax news agency reported in April.

Alongside the redoubled efforts to destroy illicit alcohol, officials are calling for a toughening of penalties for the production or use of fake excise stamps for alcohol.

Vadim Tyulpanov, a senator in Russia's upper house of parliament, this week proposed a bill increasing the prison sentence for such violation to 12 years, the RIA Novosti news agency reported. Under current legislation, introduced last year, counterfeiters face up to 5 years in prison.

Yet despite the increasing attention from law enforcement, the illegal alcohol business is still growing fast.

In the first five months of this year, 21 million bottles of alcoholic drinks marked with forged excise stamps were intercepted by the alcohol market watchdog — almost 3 times more than in the same period last year, when 7.2 million bottles were detected, Tyulpanov said, according to RIA Novosti.

Apart from bringing losses to the economy, counterfeit alcohol poses a big threat to the health and life of Russians.

Statistics shows that a surge in illegal alcohol on the market is always followed by an increase in deaths from alcohol poisoning, according to Shapkin.

According to the Rosstat state statistics data, 15,400 people were poisoned by alcohol in Russia last year.

There is no record on how many Russians died specifically from illegal alcohol, but in most cases fatal alcohol poisoning is a result of drinking counterfeit products, Shapkin said.

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