

[Comment] Finnish moves on internet alcohol

26.02.2007 - 07:30 CET | By Richard Laming

EUOBSERVER / COMMENT - The Finnish government is getting tough. Words to send a shiver down any spine. Their action this time is directed at Estonian websites willing to export wine and spirits north across the Gulf of Finland. Their overnight delivery service does a roaring trade.

It's an easy journey to make, and hundreds of thousands of bottles of wine make the journey every year. Estonian prices are as much as 40 per cent lower than those in Finland (thanks to the north European tradition of high alcohol taxation) and this flood of cheaper drink makes a mockery of Finnish government policies on the subject.

Now, I am as happy to buy wine and spirits as the next man (in fact, let's be honest, I'm probably happier) but even I can see that the Finns have got a point.

The Finnish government wants to raise revenue from the consumption of alcohol in Finland – which is not paid on internet sales by companies in Estonia – and it wants to restrain the amount of alcohol that Finnish people drink. Lower prices encourage more consumption, as is well known. This import trade challenges both the public finances and public health.

Eero Heinaluoma, Finnish minister of finance, wants to do something about it. Informed industry sources say that he wants to raise the prospect of new legislation with the Estonian government. Who knows what the outcome will be?

This problem is a challenge to two schools of thought about the future of Europe, both pro- and anti-European.

The challenge to the anti-Europeans is obvious. These are the people who say that all that different European countries have in common are their borders. The fact that Estonian wine merchants can supply Finnish customers shows how much nonsense this is. Finland and Estonia are more closely entwined than old-fashioned nationalists would like to imagine. For Finland to take action in the interests of Finnish public health depends on the actions of Estonia. This isn't how it appears in the textbooks on international relations.

But pro-Europeans should not feel so smug. They do not get off lightly, either.

For where does the power lie in all this? Which level of government has the competence for taxation on alcohol traded across borders?

On the one hand, this is a single market matter. No discrimination is permitted. Imports should be treated the same as domestic sales, even if this causes distress to alcohol merchants in high tax countries. Consumers will naturally go to lower-tax locations to buy their drink. Kentish brewer Shepherd Neame once tried to challenge the British government in the courts over its tax policies on beer, because something like 10 per cent of off-sales in the south of England actually takes place in France and comes over on ferries and through the tunnel. Such is the logic of the single market. If tax levels encourage irrational behaviour – imports being carried in small family cars rather than on 40 tonne trucks or on trains – then that is the fault of the tax levels. They should follow the single market, too.

On the other hand, there is the question of public health. Article 152 of the Consolidated Treaties states that "A high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities." The EU has an interest in reducing alcohol consumption where it is too harmfully high. So there are reasons for the EU

as a whole to take an interest: a change in EU policy to benefit public health would be in keeping with article 152.

How to square the circle? In the debate about the constitution, many pro-Europeans have argued the need for a clearer definition of the powers of Brussels and the powers of the member states. The people of Europe want to know who does what. It sounds great in theory, until you come across hard cases like this.

There seems to be a conflict between public health on the one hand and the single market on the other. There is no purely constitutional solution to this problem. The situation is messy. Clarification is not enough. It must be accompanied by a genuine willingness on the part of European governments to find solutions to their common problems.

Right now, the competence for taxation on alcohol traded across borders lies at national level. And that is where it will stay, unless and until the member states agree by unanimity to change it. The Finnish government will remain unable to act in what it sees as the interests of the Finnish people. A more effective and dynamic Europe is needed to enable it to do that.

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Printed from EUobserver.com 12.11.2007

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