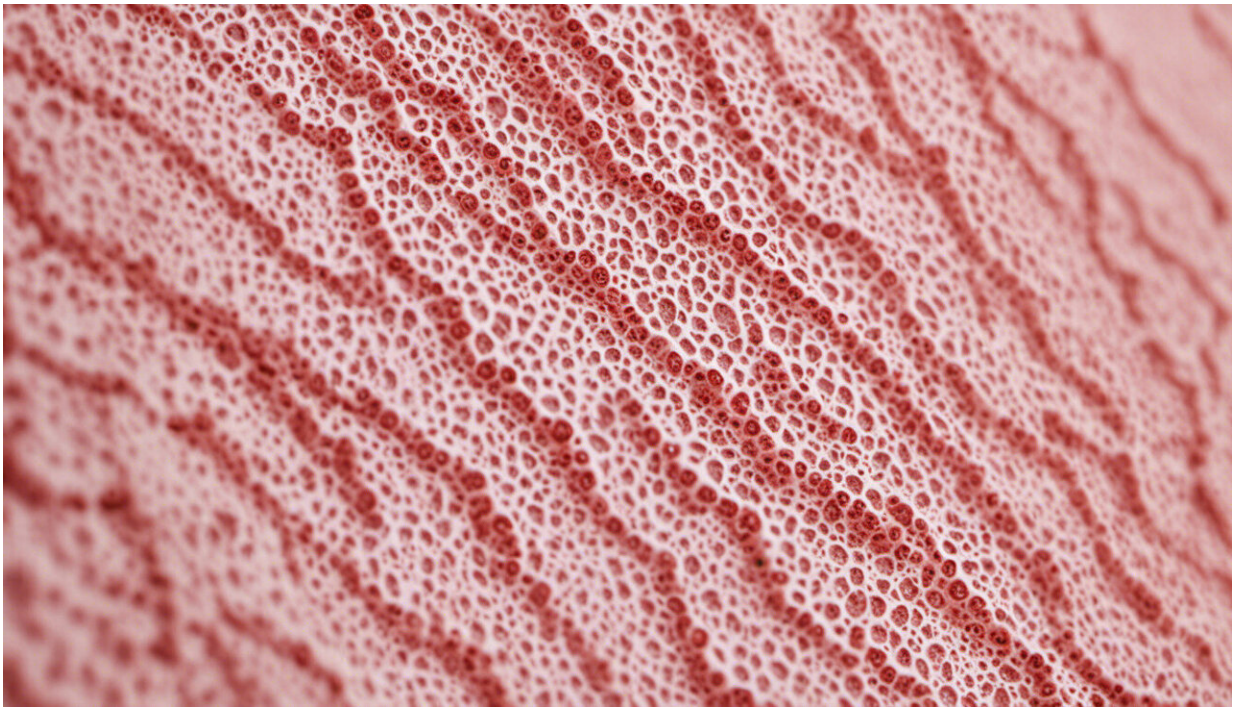
Taxing sugary drinks can benefit Indonesia, research suggests

August 7 2019, by Lennert Veerman, Anne Marie Thow And Dr. Febi Dwirahmadi



Credit: AI-generated image (disclaimer)

Obesity and diabetes used to be rich world problems. But diets in lower-income countries are shifting. More people are eating more processed foods and foods high in salt, sugar and saturated fat. As a result, obesity, diabetes, heart disease and stroke are becoming major health concerns in

middle-income countries, including Indonesia.

As of 2018, 35.4 percent of Indonesians were overweight or obese. Ten years earlier, over 5 percent were living with diabetes. Indonesia's healthcare system lacks the capacity to cope with this escalating chronic disease burden.

The rising burden is linked to Indonesia's increasing sugar consumption over the last decade, particularly from sugary drinks.

Indonesia is a large and growing market for soft drinks and energy drinks. Demand is growing around 8-10 percent each year. Total sales are expected to be US$12.9 billion in 2019—that works out to about 39 litres per person.

The Indonesian government has considered taxing sugary drinks to solve the increasing health problems. A recent study has shown that the tax can be implemented and would be economically beneficial.

In our research, published in BMJ Global Health, we developed a model to estimate how much benefit taxing sugary drinks could bring to Indonesia.

From this model, we find wealthier Indonesians will benefit most from reductions in chronic disease risk, but the whole population will get healthier in the end.

Benefits

Our model for Indonesia is based on our previous research that shows sugary drink taxes can help slow the growth in obesity and reduce chronic diseases.

The model aims to measure the health benefit if a $0.30 per litre tax were spread across income groups in Indonesia.

To do this, we looked at people's responsiveness to price changes, including whether they switch to other drinks that are not taxed. We also looked at potential changes to the energy content in all of the drinks, and impacts on disease patterns in the population.

All of these factors were estimated by income group, from the poorest 20 percent to richest 20 percent.

We found that over 25 years the tax paid by the poorest people would be $0.5 billion, and $15.1 billion for the richest.

While it increases the health status of all groups, the health benefits of the tax were mostly in the higher-income groups because they have the highest consumption and are most at risk of chronic diseases.

In Indonesia, the highest-income group spends about 27 times as much on sugary drinks as the lowest. This is because richer people are more able to afford this lifestyle.

Our model shows cases of overweight and obesity would decrease by about 15,000 for the lower-income people, but decrease by 417,000 for the highest.

Similarly, 63,000 cases of diabetes could be averted in the lower-income group and up to 1,487,000 in the highest. Incidences of heart disease and stroke were similarly reduced.

Other studies

Our case study on Indonesia produces a result that contrasts with similar

research in richer countries. In richer countries, the health benefits are often greater for the poorer in society. This is because they generally consume more low-quality food that is high in sugar, fat and salt.

In most studies of the impacts of sugary drink taxation, benefits are highest for those groups that already consumed large quantities of beverages.

Our model in Indonesia fills the gap in research on the effect of a sugary drink tax on income groups in lower-income countries.

Benefit for all

The World Health Organisation and the United Nations have made reducing excess sugar consumption a key policy target.

Many countries have begun taxing sugary drinks, including Mexico, Ecuador, Brunei, Vanuatu, the UK, Portugal, India, South Africa, Saudi Arabia, the Philippines, Thailand and Sri Lanka.

It is about time Indonesia followed in their footsteps.

For countries still in the early phase of a shift to diets high in processed foods, like Indonesia, a sugary drink tax may at first benefit the health of wealthier people most.

However, a tax may also slow the adoption of sugary drink consumption across population groups, by offsetting aggressive marketing by the industry that is designed to increase market share.

Indonesia could thus slow the rise in obesity by taxing energy-dense, nutrient-poor foods and beverages such as sugary drinks.

This could reduce the incidence of non-communicable diseases, both directly due to reduced sugar and through their impact on weight.

Given the difficulties Indonesia is facing in treating chronic conditions, this would also be good for its health system.

Provided by The Conversation