

Spirits industry's export interests

Case-studies : China, Taiwan, Korea

DG Agri Consultation Event

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Who we are ? 1/2

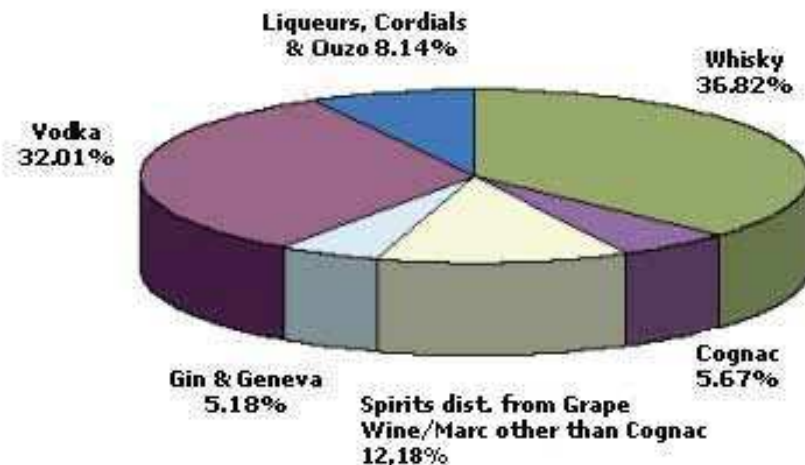
▶ European Spirits Industry is heavy exporter :

6,374 billion € in exports...

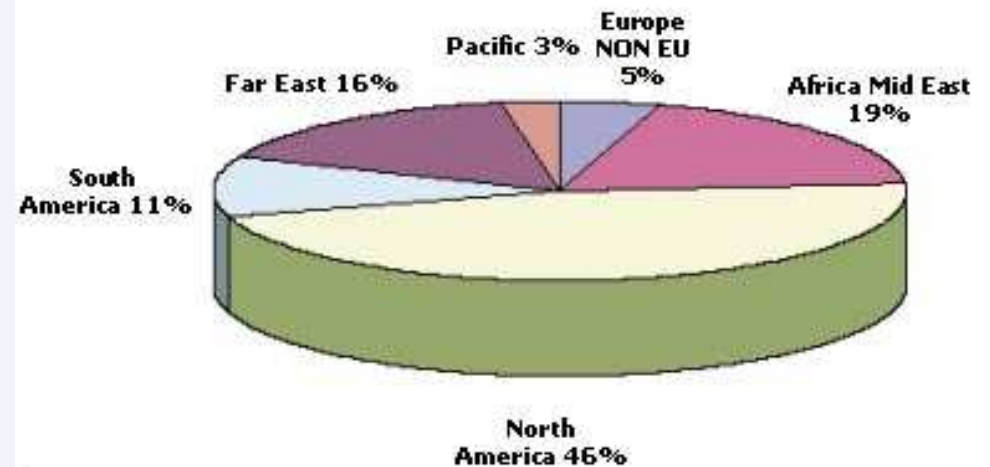
...accruing 5,424 € billion surplus to EU balance of trade

Region with most impressive growth and potential is Asia

Spirits Exports 2004 (by Product)



Spirits Exports 2004 (by Region)



Who we are ? 2/2

Increasing focus on “premium” products, with high unit value

Requisites for commercial success abroad :

- ▶ access to market (tariffs, regulatory obstacles),
- ▶ control of distribution & promotions (sales / advertising & labelling / investment restrictions),
- ▶ price positioning (tax burden)
- ▶ fair competition (counterfeiting, discriminatory treatment)



China 1/2

Market : enormous growth over past few years

Still more to come with +25 million new Chinese consumers / year !

General regulatory environment is all right :

tariff 10%, importation & distribution restrictions lifted since 2004,
labelling requirements can be coped with

Issues :

- ▶ arbitrary character of some administrative decisions
- ▶ extreme difficulty in protecting brands & GIs against counterfeiting because of lack of deterrent sanctions against counterfeiters and no legal protection afforded to European GIs



China 2/2

Counterfeiting : 25% of sales !

Both identical counterfeits (refilling) and “look-alikes”, infringe on both trademarks & GIs



- ➔ No criminal sanctions against counterfeiters, in spite of health risks
- ➔ No 100% solid legal means to tackle GI infringements (GIs not recognized, nor are European authentication techniques)



Taiwan 1/3

Relatively “mature” market, but with still some potential, for premium products (195 million € in 2006)

Used to experience enormous levels of counterfeiting

Was curbed significantly thanks to acceptance of European GI authentication techniques



VERSUS



Regulatory environment generally sound :

- Tariff on imported spirits removed
- Tax discrimination addressed as part of WTO accession



Taiwan 2/3

But regularly attempts at protecting “food safety” which end up in trade barriers

▶ New Ministry of Finance **draft** regulations on additives in alcoholic beverages : allow only 5 additives, under very small amounts

No real health or scientific imperative

If applied & implemented, could lead to most whiskies and brandies barred from the market

Request : Commission’s early help would be welcome

➔ **Final** regulations expected as early as July 2007 !



Taiwan 3/3

But regularly attempts at protecting “food safety” which end up in trade barriers

- ▶ Regulations of 2005 require lot code indication on all bottles

But Supplemental Order in June 2006 allows importers to assign codes on imported products for all EU spirits sold in Taiwan... even without the original EU producers' lot code !

- ➔ Allows fraudsters to legitimize illegal or adulterated imports and impair product traceability.

Request : Early revision of Supplemental Order would be welcome, to clarify that no Taiwanese lot code is needed when EU code already appears on the bottle



Korea 1/3

“Historical” market for spirits industry, with high levels of exports (221 million € in 2006). But in decline over past few years, local competitors are fighting back fiercely.

Premium market : for whisky, “basic” product is 12-year old

- ▶ Market is tightly regulated by Korean authorities, consumers are quite nationalistic (competition with “Soju”)
- ▶ forced European companies to invest in local bottling and building local brands to get a solid foothold



Korea 2/3

Opening of EU-Korea FTA negotiations very welcome

FTA should further open the market and create genuine level playing field with Korean & international competitors



Immediate objective = 20% tariff needs to be eliminated
(will go away in 2008 for US Bourbon Whiskey)



Korea 3/3

- onerous labelling requirements need to be streamlined



- restrictions on company expenses on imported spirits in bars & restaurants need to be relaxed
- European GIs need to be recognized + means of authentication (because of Chinese imported fakes)



Conclusion

The Commission's assistance will be greatly appreciated to help unlock those markets to our European spirits.

We are not asking for elimination of all national regulations that hinder us in export markets

Only revision / elimination of those that distort competition with our domestic or foreign competitors.

Thank you very much in advance

