

## **Thailand in focus**

### Trade

Thailand has a nascent wine industry. The Thai Wine Association reports that growers produced 450 tons of grapes in 2012, compared to 460 tons in 2011, despite the addition of 28 acres of cultivated land to bring the total to 400 acres.

In the last five years there has been a significant growth in the number of wine drinkers in Thailand. Wine is now regularly served at most social functions and being a wine drinker is perceived as a sign of social status and has achieved a high level of acceptance among Thai consumers, typically aged between 25-55 years.

The consumption of alcoholic beverages in Thailand continues to grow at a steady rate of about 11 per cent annually. Wine drinking has been growing by 10-15 per cent since 2000 and has taken some market share from other alcoholic beverages. Drinkers of alcohol in Thailand number approximately seven million.

Imported brands, led by France and Australia, dominate the market. Imports in 2014 were 15 million liters. The research group predicts total wine consumption in Thailand will hit 25 million liters by 2017.

In 2014, Thailand imported approximately 2 million litres of Australian wine worth A\$11 million in Free on Board (FOB) value. This was a considerable fall over the previous year

According to Austrade, Australian wine has a good reputation in Thailand and is regarded as representing value-for-money. Thai consumers favour red wine; however, both red and white wine are popular amongst foreign tourists and expatriates. There is an increasing demand for wine to cater for the steady increase in tourist numbers.

### Tariffs

The Thailand-Australia Free Trade Agreement (TAFTA) entered into force on 1 January 2005 and was Australia's third free trade agreement. It was Thailand's first comprehensive free trade agreement and its first with a developed country. Total two-way trade between Australia and Thailand has more than doubled since TAFTA entered into force.

Under TAFTA tariff barriers for wine and grape products were to be phased out in 2015. Tariffs of around 60% in 2005 are now eliminated

### Labelling Developments in Thailand

Thailand has been considering implementing regulations to implement health warnings and other restrictive proposals for a number of years.

For example, Thailand notified new proposed alcohol labelling requirements to the WTO (G/TBT/N/THA/332) on 21 January 2010. These regulations proposed the introduction of graphic pictorial photographic health warnings.

Following concerns raised by WFA, Australia lodged comments with Thailand's TBT Enquiry Point on 16 March 2010, in which we

- noted the relevant aspects of the WTO TBT Agreement, including that
  - : technical regulations should not be more trade restrictive than necessary to fulfil a legitimate objective; and
  - : technical regulations for labels should be specified in terms of performance rather than design or descriptive characteristics
- noted that the printing of coloured pictorial health warnings would add to production costs and may not be necessary to fulfil the underlying health objectives of the regulation
- requested that Thailand consider an alternative approach to ensuring responsible alcohol consumption, in ways more consistent with practice in major wine trading nations and with international standards

This proposal has not been implemented to date due to concerted international pressure, but remains Thai government policy.

Since this proposal, Thailand has consistently proposed new labelling restrictions with the policy objective of reducing the sale of alcohol to at-risk groups. However, the regulations in our view will impose cost to business and consumers and not meet the policy objectives. WFA, together with the Australian government and other like-minded governments have been working to attempt to rationalise the requirements.

The Department of Agriculture (the department) has a Counsellor (Agriculture) based in Bangkok keeping WFA informed on the situation and continuing to seek clarity regarding a number of aspects to the new regulations.

A new draft regulation was proposed in 2014. This regulation again sought to include graphic pictorial health warnings amongst other changes. In early 2015, concerns raised about the graphic health warning proposal led the government to abandon their plans to implement graphic health warnings for alcoholic beverages. However, the Thai government continue to pursue a policy to encourage responsible drinking and that they might consider a small symbol of a pregnant woman and a warning about drinking while pregnant. The Thai Ministry of Public Health, however, still supports the graphic health warning labels. This proposal also seeks to restrict the use of messages on the label that 'are regarded as an unfair message to consumers or which may cause negative social effects, even if these messages may relate to sources, condition, quality or characteristics of products or services including delivery, procurement or application of products or services'.

Uncertainty about interpretation of this regulation are of concern to WFA. The department provided a formal submission through the WTO Technical Barriers to Trade (TBT) Committee regarding Thailand's alcohol labelling regulations when they were notified as a draft in March 2014. Specifically, Australia has sought confirmation as to whether descriptors such as "finest", "premium" and "prestige" and images associated with a brands heritage such as a barrel, mountain, vineyard etc. would still be permitted as well as whether artistic drawings and illustrations that are well-established elements of trademarks be prohibited under these measures as they may be determined to be 'cartoons'.

Australia has not received any formal advice through this process and has since been advised that the regulations were published in the Royal Gazette dated January 22<sup>nd</sup> and are due to enter into

force 90 days after this date. The “Criteria, Procedures, and Conditions for Labels of Alcoholic Beverages B.E. 2558 (2015)” is the final regulation that will be implemented in the third quarter of 2015.

The department’s Counsellor in Bangkok recently attended a meeting with other like-minded embassies on the new labelling regulation where the embassies present agreed that they were concerned about the vagueness surrounding the impacts and implementation of the new regulation, the definitions of terms and the suggested short period of implementation.

As a result of Thailand’s lack of clarity of the regulation, Australia raised the issue at the WTO TBT Committee meeting in Geneva on 18 and 19 March. Australia will again be seeking a more in-depth explanation as these have the potential to affect Australian wine exports to Thailand.

#### Other issues

The ten-year review of the Thailand Australia Free Trade agreement is taking place this year. This is a good opportunity to raise issues of concern. We encourage all exporters who face barriers in Thailand to raise these issues with WFA so we can advocate on your behalf. Please contact Tony Battaglione at [tony@wfa.org.au](mailto:tony@wfa.org.au) with any issues.