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WTO talks on Thai customs rules welcomed

A European Union request for WTO talks aimed at bringing Thailand's customs valuation system into line with international trade rules has been welcomed today by The Scotch Whisky Association (SWA).

Since September 2006, Thai officials have systematically rejected product values declared by importers, and have instead calculated the value of imports for tariff and tax purposes according to an arbitrary, standard margin, breaching the WTO Customs Valuation Agreement.

The effect has been to penalise Scotch Whisky distillers either by artificially increasing import tariff payments or, if the official valuation is challenged by the importer, forcing the importer to lodge large bank guarantees pending resolution of the dispute. It is estimated that EU spirits importers have lodged over £9m of these guarantees to cover potential liabilities.

Martin Bell, the SWA's International Affairs Manager, welcomed the EU's decision to seek WTO consultations:

"WTO rules clearly set out how Thai Customs should assess imported spirits for tariff and tax purposes. Officials have, however, failed to justify the implementation of a regime which is unfairly acting as a barrier to the import of Scotch Whisky and other spirit drinks, ultimately restricting consumer choice in Thailand.

"The Association believes the EU is right to seek WTO consultations and hopes that Thailand will take the opportunity of the formal dialogue in Geneva to bring its customs valuation system into line with international norms at the earliest opportunity."

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Note to Editors:

1. Thailand was Scotch Whisky's 16th largest market by value in 2006, with exports valued at £42m.
2. Until August 2006, Thai Customs accepted the transaction value for imported spirits declared by importers for tariff and tax purposes. Following a decline in Government revenues - driven by the high spirits tariff and tax burden - a new customs valuation system was introduced.
3. Under the WTO Customs Valuation Agreement, there is an agreed order of methods to be used to assess the value of imported goods. To comply with WTO rules, Thailand should have first either (a) assessed the value of the goods based on figures provided by the importer or (b) on information based on the value of other similar imported products. Instead, Thai Customs have jumped to an alternative system using an arbitrary standard margin regardless of product value.
4. If the value of goods as assessed by Thai Customs is contested, the importer is required to lodge a bank guarantee for the higher sum pending a resolution to the dispute. Such guarantees require substantial sums of money to be lodged to meet potential future liabilities.
5. Thailand already applies a high import tariff to spirit drinks by international standards. Levied at 60% on the value of Scotch Whisky and most other EU spirit drinks, it is out of line with other markets such as China (10% tariff) and Korea (20% tariff).
6. WTO consultations aim to ensure international trade rules are respected. If an issue is referred for consultation, there is a formal 60 day dialogue aimed at resolving the dispute. If agreement cannot be reached, a Dispute Settlement Panel (a body of trade experts) may be established to rule on the merits of the case.
7. For further information please contact Campbell Evans (0131 222 9231 or 07768 002 262) or David Williamson at the SWA (07730 496 151). Further details are also available from the European Commission website at <http://ec.europa.eu/trade/>.