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Turkey

Wine

New Law for Alcoholic Beverages

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Report Highlights:
The Government of Turkey has begun privatization of TEKEL, the parastatal which controls the alcoholic beverage, tobacco product and salt sectors. In accordance with its IMF commitments, the Government issued a new alcoholic beverage law which begins the process of liberalization of this sector. In the interim period, however, alcoholic beverages importers will continue to be confronted with high duties and taxes and a very difficult import approval/permit process.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
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Executive Summary

In its recently signed letter of intent with the IMF, the Government of Turkey (GOT) made a commitment to restructure TEKEL, the government parastatal which controls distribution, production and imports of alcoholic beverages, tobacco and salt. As part of their commitment, the Government promised to enact the alcoholic beverage law which was submitted to Parliament early 2000 and passed this month. The bill is a first-step towards privatization of TEKEL and liberalization in this sector, but does not appear to offer significant improved access for imports of U.S. alcoholic products.

The import process for alcoholic beverages is cumbersome at best. Alcoholic beverages can currently only be imported under TEKEL's authority. In addition to duties, taxes, and other charges which together can amount to over 200% of the value of the product, imports have to first be approved by TEKEL's Review Board and receive a Ministry of Agriculture import permit (often complicated by unpublished requirements). For wines and beers imports, letters of credit for purchases must be opened in TEKEL's name. This lengthy process can often take months to complete. Furthermore, imported beer and wines can only be sold at "touristic" centers, including restaurants and hotels, and are not available at other retail outlets.

The new law (which follows on page two) will, for the first year after its enactment, allow companies which import, distribute or produce over one million liters of certain alcoholic beverages, and the ability to distribute these products to all major distribution points (as determined by the GOT), to produce, sell and import these products. The target level decreases by 100,000 liters for five years, after which time the Government will again review the process.

While the new law provides an initial framework for future liberalization, it's content is fairly confusing, and allows some leeway for interpretation and implementation purposes. Paragraph Six excludes wine and beer imports as items which can "count towards the one million liter-goal". In fact, very few companies, if any, are currently reaching this level.

The initial beneficiaries of the new regulation are likely to be potential European investors in the raki industry, Turkey's national alcoholic drink. TEKEL officials indicated that they plan to look closely at the bill during the next six months to see how the liberalization process can be expanded to other alcoholic products. In the interim period, they are encouraging representatives from companies who cannot meet the one million liter target to work with them to develop alternative consignment systems for their products.

The following is an unofficial translation of the major portions of the law:

Clause 1-The law dated 8 June 1942 and numbered 4250 regarding alcohol monopoly has changed as below:

"Purpose and content"
1- Purpose of this law is to regulate production, domestic sales, foreign trade, distribution and pricing of spirits and alcoholic beverages.

2- Activities regarding above items will be handled by Turkish Tobacco Alcohol and Salt Monopoly(TEKEL). TEKEL will undertake these activities either directly or via partnerships.

3- Importers, regardless of where they are established within the country, will be responsible for delivering each and every retailer who places an order. Producers should establish factories that have a minimum of one million liters per year capacity with new technology. Companies that have one million-liter production, imports or sales, will be free to carry these activities and price their products. The companies that cannot meet these limits, their products will be distributed and priced by the TEKEL. There will be no discrimination between the imported and locally produced products.

4- The establishment and technical requirements for spirits, alcoholic beverages, beer and wine producing factories will be regulated and observed by the TEKEL. Issues regarding pricing of these items will be regulated by the Cabinet of Ministers.

5- TEKEL will also ensure that the requirements in paragraph three are met by the companies.

6- Beer, wine and wine made from fruits are allowed (one million limits do not apply) to be locally produced, priced, distributed and sold. Whisky and naturally sparking wines are also free to be imported, priced and distributed. Other drinks, i.e., grape juice without alcohol, are not subject to this law.

Clause 2- section 3 of the law numbered 4250 is changed as below:
"Spirits and alcoholic beverages should comply with the Turkish Food Codex"
Synthetic alcohol cannot be used to produce alcohol and alcoholic beverages; only agricultural-based alcohol can be used for this purpose. Raki can only be produced within Turkey in accordance with TEKEL requirements. Grape-based agricultural alcohol should be used to produced Raki. Industrial ethylene alcohol for non food purposes can only be imported with the permission of TEKEL.