

**DISTILLED
SPIRITS
COUNCIL
OF THE
UNITED
STATES**

January 11, 2000

Review of Australia's General Tariff Arrangements
Productivity Commission
PO Box 80
Belconnen ACT 2616

Subject: Comments from the U.S. distilled spirits industry on the elimination of nuisance tariffs on imported distilled spirits.

Dear Commissioners:

The Distilled Spirits Council of the United States is a trade association representing producers and marketers of distilled spirits in the United States. We greatly appreciate the opportunity to submit a comment on the review of general tariffs. Since distilled spirits are assessed a tariff of 5%, and the great majority of spirits are not, and indeed, cannot, be produced in Australia, we enthusiastically endorse the elimination of these 'nuisance' tariffs at the earliest possible date.

The U.S. distilled spirits industry has a special relationship with Australia, which is the third largest market for U.S. spirits exporters behind the European Union and Japan. In 1998, exports of U.S. spirits amounted to US\$42 million, of which Bourbon whisky accounted for 96% of the total. U.S. distillers greatly value Australia, and wish to continue to provide high quality spirits at the best possible price. However, for the purpose of the present review, we would like to comment only on the terms of reference for the review and trade aspects.

Terms of Reference

The scope of the review includes all items with a 5% tariff that are not in the PMV or TCF sectors. All distilled spirits in the HS 2208 section have a 5% tariff with the exception of rum, HS 2208.4, which has a bound tariff of 13%. In addition, the inquiry is also concerned with 'nuisance' tariffs, which are defined as imported goods that are not made in Australia. Since Bourbon whisky is protected under the TRIPS agreement of the WTO as a distinctive product of the United States, and thus cannot be produced in Australia, and has a general tariff of 5%, it should be considered a nuisance tariff and eliminated as soon as possible. The review of 'nuisance' tariffs also focused on items with tariff revenue of less than \$100,000 a year, which resulted in the initial recommendation of the removal of 'nuisance' tariffs on 400 items. Since all spirits categories imported from the United States, with the exception of Bourbon whisky, generate less than \$100,000 in revenues, their tariffs should also be eliminated.



Trade Aspects

Both Australia and the United States have much to gain in liberalizing trade in the food and agriculture sector. The United States has already provided leadership in tariff elimination in the distilled spirits sector, and has been joined by the European Union, Canada, Japan, Hong Kong, and Taiwan (upon its accession to the WTO). Clearly, the more items in the food and agriculture sector that are fully liberalized, the fewer issues remain to be dealt with in the upcoming WTO negotiations in the agriculture sector. Also, it is in Australia's best interest to provide leadership by eliminating a 'nuisance' tariff in the distilled spirits sector for an import that Australia does not produce. Another area where tariff elimination would advance the spirit of trade liberalization is in the APEC forum, where Australia must eliminate tariffs by 2010. Therefore, Australia has the opportunity to advance its goals of trade liberalization in the WTO agriculture negotiations and in the APEC forum by eliminating tariffs on imported distilled spirits.

Conclusion

Again, the U.S. spirits industry is pleased to see the government of Australia addressing the issue of nuisance tariffs, and to have the opportunity to provide comments. We sincerely hope that Australia takes the opportunity to expand its leadership role in trade liberalization in the agriculture sector by leading by example. We would be pleased to comment further should the Commission require it. Finally, we fully support the efforts of foreign and domestic spirits producer associations in their representations concerning the elimination of Australia's tariffs on distilled spirits.

Sincerely,



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