

**DISTILLED
SPIRITS
COUNCIL
OF THE
UNITED
STATES**

October 26, 2006

Dear Senator Baucus,

On behalf of the Distilled Spirits Council of the United States and its member companies, I am writing to urge your strong support for the legislation granting Vietnam Permanent Normal Trade Relations (PNTR) status. We hope you will ensure that the PNTR legislation is taken up as a high priority matter as soon as the Congress returns from the election break.

As you know, Vietnam has now concluded all of the necessary negotiations to be admitted as a member of the World Trade Organization (WTO). This has been an 11-year effort, which has required that Vietnam make fundamental reforms to the laws and regulations governing its trade and investment relations with the rest of the world. Many of these structural changes are already being implemented and, as a consequence, Vietnam and its trading partners are reaping the benefits of a more open economy.

The United States has played a crucial role in Vietnam's WTO accession negotiations – placing a high priority on Vietnam's membership in the organization, while also ensuring that Vietnam would, in fact, make all of the necessary reforms to bring its trading system into compliance with WTO rules. In our view, the result is a first-class WTO accession package.

To be sure, the U.S. spirits industry will benefit significantly from Vietnam's commitments. Specifically,

- Spirits tariffs will be reduced from 65% *ad valorem* to 45% *ad valorem* over a six-year period;
- Within three years of accession, Vietnam will reform its discriminatory excise tax regime for spirits, which is currently structured to assess significantly higher taxes on imported spirits than on domestically-produced spirits;
- Import trading rights for distilled spirits will be granted as of January 1, 2007; and
- Spirits companies will be able to engage in wholesale and retail businesses three years after Vietnam joins the WTO.



We commend our negotiators for achieving such substantive and commercially significant market access improvements for our industry – and for other agricultural, manufacturing and services sectors. After having achieved such a comprehensive accession package, it would indeed be regrettable if the United States is not able to enjoy the full benefits of the negotiations because of a delay in approving the PNTR legislation.

Accordingly, we urge you to support swift approval of PNTR status for Vietnam.

Sincerely,

A handwritten signature in black ink, reading "Peter Cressy". The signature is fluid and cursive, with the first name "Peter" and the last name "Cressy" clearly legible.

Peter H. Cressy
President & CEO