

**Vietnam – WTO Accession:
Benefits to the U.S. Spirits Industry**
(October 2006)

The Distilled Spirits Council of the United States, Inc. is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide, including Vietnam. With a population of 82 million and real GDP growth in 2005 of 8.4%, Vietnam is potentially a very promising market for U.S. distilled spirits. Western-style spirits are growing in popularity and as Vietnam's standard of living continues to improve and tourism increases, demand for imported spirits is expected to grow.

To date, Vietnam's significant barriers to trade have impeded the growth in U.S. spirits exports. These barriers include Vietnam's exceptionally high tariffs and discriminatory excise taxes, as well as several non-tariff barriers, including restrictions on import trading and distribution rights. As a result, U.S. spirits exports have not kept pace with the improving market noted above: in 2005, for example, U.S. spirits exports to Vietnam were valued at only \$128,000, up from only \$102,000 in 2004.

The Distilled Spirits Council and its member companies are very pleased with the results of the U.S.-Vietnam bilateral World Trade Organization (WTO) agreement and the multilateral agreement concerning the terms of Vietnam's accession to the WTO. Taken together, these agreements effectively address most of the principal barriers to Vietnam's spirits market. The U.S. spirits industry stands to gain significantly with Vietnam's entry into the WTO, and strongly supports the prompt approval of Permanent Normal Trade Relations status for Vietnam.

Tariffs on U.S. spirits exports will be reduced.

- The current tariff on U.S. spirits is 65% *ad valorem*. Under the terms of the U.S.-Vietnam bilateral WTO agreement, and a subsequent agreement between Vietnam and the European Union, tariffs on all distilled spirits will be reduced to 45% *ad valorem* over a six-year period. Exports of Bourbon and Tennessee Whiskey, which are the United States' flagship exports (they accounted for 73% by value of total U.S. spirits exports worldwide in 2005) are expected to increase substantially.

Vietnam has agreed to abolish its discriminatory excise tax system for distilled spirits.

- In the multilateral negotiations regarding Vietnam's Working Party Report and Protocol of Accession, Vietnam has committed to eliminate its discriminatory excise tax system for distilled spirits within three years from the date of accession, to be replaced with a WTO-consistent and non-discriminatory system. Eliminating Vietnam's discriminatory tax regime was a top priority for the U.S. spirits industry, and will help significantly to level the playing field in the Vietnamese spirits market.

U.S. spirits companies finally will be granted the right to import their products into Vietnam.

- Currently only Vietnamese companies or companies with joint ventures with Vietnamese companies are permitted to import distilled spirits into Vietnam. Vietnam has agreed provide full import trading rights for distilled spirits as of January 1, 2007 -- an improvement of almost 3 years over the terms of the 2001 U.S.-Vietnam Bilateral Trade Agreement.

U.S. spirits companies will be able to engage in wholesale and retail businesses.

- U.S. spirits companies will be able to engage in the wholesale and retail business of spirits three years after Vietnam accedes to the WTO.

