



Distilled Spirits

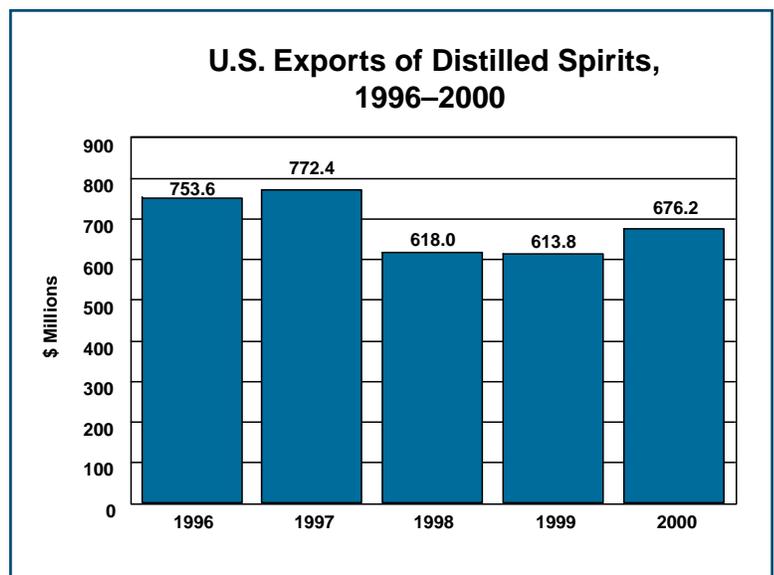
Why Trade Matters

INDUSTRY SECTOR REPORT

General information on

exports. The United States exported \$676.2 million in distilled spirits in 2000.

This is a 10 percent decrease in exports from 1996, which is due to a drop in exports of grain spirits caused by large supplies on the world market. In contrast, whiskey and bourbon exports grew 24 percent since 1996 and now account for 54 percent of total spirit exports.



Market development. U.S. distilled spirits exporters will benefit from increased market access through lower tariffs and reduced nontariff barriers. Potential growth markets include Germany, the United Kingdom, Canada, Turkey, and Spain.

Tariffs. Tariffs are as high as 35 percent in Latin America, 268 percent in Eastern Europe, and 210 percent in Asia.

Nontariff barriers. Although the United States has successfully challenged and dismantled discriminatory excise tax regimes in Japan, Korea, and Chile, other countries (e.g., Argentina, Ecuador, Uruguay, Colombia, Dominican Republic, Thailand, the Philippines, and Singapore) still have discriminatory practices.



Distilled Spirits

Despite the fact that U.S. distilled spirits products are subject to thorough testing and control procedures in the United States, many World Trade Organization (WTO) members continue to maintain redundant testing and certification requirements.

A number of countries also continue to impose restrictive and onerous import licensing, labeling, certification, and state trading requirements.

Small and medium sized enterprises. Eighty-five percent of distilleries in the United States are small or medium-sized firms.

International recognition. U.S. spirits are recognized worldwide, especially bourbon and Tennessee whiskey.

Employment opportunities. In 1997, total employment was 6,545, of which about one-third was in Kentucky. Fifty-three percent are employed in small to medium-sized firms.

Key producing states. Kentucky, Tennessee, Virginia, Minnesota

The sector. This sector includes the products covered in the WTO Uruguay Round sector initiative for brown and white distilled spirits.

BENEFITS AND EFFECTS FROM PREVIOUS TRADE AGREEMENTS:

- ▶ **The distilled spirits sector has benefited from previous trade negotiations through increased market access. During the Uruguay Round, key countries agreed to eliminate distilled spirits tariffs. Between 1994 and 2000, U.S. exports to NAFTA partners increased from \$11.3 million to \$44.3 million, almost fourfold.**