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apan Distilled Spirits Agreement (1997)

EXECUTIVE OFFICE OF THE PRESIDENT

THE UNITED STATES TRADE REPRESENTATIVE

WASHINGTON, D.C. 20008

DEC 1 5 1997

His Excellency Kunihiko Saito

Ambassador of apan

Embassy of apan

2520 Massachusetts Avenue, N.W.

Washington, D.C. 20008

Dear Ambassador Saito:

I am pleased to receive your letter of today's date concerning the liquor tax issue. I confirm, on behalf of the United States Government, that this exchange of letters, together with the amendments to the Liquor Tax Law promulgated in March 1997, resolves the dispute on liquor taxes between the United States and apan.

I welcome the commitments made by your government with regard to subsidies and other measures in relation to the settlement of the liquor tax issue. I also welcome the GO 's commitment, expressed in your letter, to provide relevant information on measures for domestic producers of distilled spirits.

I note that it is jointly understood that acceptance by the United States of apan's proposals to settle this dispute can not be interpreted as in any way prejudging the position of the United States in the WTO with regard to the definition of de minimis differentials or the "reasonable period of time" for implementation. In particular, this arrangement is without prejudice to the question of whether the differential in tax rates between brown and white spirits that will remain as of I October 2000 is a de minimis differential or would constitute a de minimis differential in any other market or under any other factual circumstances.

This exchange of letters is without prejudice to the rights and obligations of the United States under the WTO Agreement. If this mutually satisfactory solution to the liquor tax issue is not implemented fully, the United States reserves its rights to resort to dispute settlement under the WTO Agreement.

Sincerely,

Charlene Barshefsky

EMBASSY OF APAN

WASHINGTON, D.C.

December 15, 1997

Dear Ambassador Barshefsky: J

I refer to the o tatio betwee the offi ia of o r two gover me t o the iq or tax i e, the mo t re e t e io of whi h were he d i Va o ver i November, i Ge eva a d i Wa hi gto , D.C. i De ember 997. I am p ea ed to o firm, o beha f of the Gover me t of Japa (GOJ), that the GOJ ha de ided to take the fo owi g mea re , who e adoptio wi be i a orda e with the e e ary dome ti egi ative pro ed re , to imp eme t the re omme datio a d r i g of the WTO Di p te Sett eme t Body p r a t to the pa e a d the Appe ate Body report o "Japa -Taxe o A oho i Beverage ."

Ba ed o the o t ome of the o tatio referred to above, a d havi g aref y o idered the WTO arbitratio award i ed o 4 Febr ary 997, the GOJ wi revi e the 1 rre t iq or tax heme a de ribed i detai i A ex A to thi etter, a d wi arry o t tariff e imi atio a d red tio o the app ied rate ba i a de ribed i detai i A ex B to thi etter. 1

A ompe atio for the o ger imp eme tatio period i the ame ded Liq or Tax Law for the ew taxatio heme, from I Apri 998 o ward the GOJ wi app y red ed tariff rate a d i ome a e zero tariff o the item i A ex B to thi etter a pe ified therei . For thi p rpo e the GOJ wi bmit a draft aw ame di g the C toms Tariff Law a d the Temporary Tariff Mea re Law to the ext ordi ary e io of the Diet to be o ve ed i Ja ary 998, a d wi do it tmo t to obtai Diet approva of h a ame dme t The GOJ wi ot rai e tariff rate above tho e pe ified i A ex B. F rthermore, the GOJ wi app y the rate i ted i A ex B i f re og itio that Japa ' WTO bo d rate are higher a d i te d to bi d the e tariff red tio i the WTO at the ext po ib e opport ity to modify the S hed e of Japa fo owi g a mu ti atera , mu ti e tora egotiatio . I additio , the U ited State wi re eive at ea t omparab e tariff e imi atio /red tio to tho e whi h Japa may gra t to the EC, Ca ada or a y other WTO Member (if a y) a a re t of egotiatio o ompe atio regardi g the iq or tax i e. 1

A y mea re , i di g b idie , to be take for dome ti prod er of di ti ed pirit i re atio to the ett eme t of the iq or tax i e wi be f y o i te t with the GOJ' ob igatio der the WTO Agreeme t, a d wi i o way ify or impair the be efit provided by the GOJ to the U ited State a a re t of thi mut a y ati fa tory o 6 ti o - to the iq or tax i e.

With regard to b idie , tax mea re or other mea re of Japa that may a ter the o ditio -of - ompetitio betwee imported a d dome ti di ti ed pirit , the GOJ o firms that it a ot be a ti ipated that the U ited State Gover me t (USG) i aware of exi ti g mea re other tha tho e i ted i A ex C.

I additio , the GOJ o firms that it wi either gra t or mai tai b idie or pe ia tax mea re or other mea re be efiti g dome ti prod er of di ti ed pirit whi h wo d have effe t of di p a i g or impedi g the export to Japa of di ti ed pirit from the U ited State a d other o trie .

The GOJ wi provide the USG, po req e t, re eva t i formatio o h mea re for dome ti prod er of di ti ed pirit e h i formatio i of a o fide tia at re a d it provi io wo d impede e for eme t of dome ti aw s a d reg atio or wo d prej di e the egitimate ommer ia i tere t of parti ar e terpri e .

I o firm that at the req e t of either party, o tatio o the imp eme tatio or effe t of a y a pe t of thi mut a y ati fa tory o tio to the iq or tax i e wi be he d expeditio y with a view to rea hi g a ati fa tory o tio .

I wo d appre iate yo r o firmatio that imp eme tatio of the mea re et o t i thi etter, together with the ame dme t to the Liq or Tax Law promu gated i Mar h 997, wi be a mut a y ati fa tory o tio to the di p te betwee the U ited State a d Japa o er i g the taxatio of di ti ed pirit . 1

Si ere y,

K ihiko Saito

Amba ador of Japa

The Ho orab e Char e e Bar hef ky

U ited State Trade Repre e tative 1

Office of t e ite tates Tra e Represe tative

600 17t treet, N.W.

Was i gto , D.C. 0506

T e Liquor Tax Rates (A ex A) (per kilolitre)

* All values i Ye

Categories	Degree of Alochol	< 30 Sept 1997 *	1 Oct 1997 - 30 Apr 1998 *	1 May 1998 - 30 Sep 1998 *	1 Oct 1998 - 30 Sep 2000 *	1 Oct 2000 *
oc u A 2	5 egrees	(6, 8) 155,700	(8,076) 01,900	(9,9 4) 48,100	(9,9 4) 48,100	(9,9 4) 48,100
oc u B 2	5 egrees	(4,084) 10 ,100	(6,0 8) 2 150,700	(6,0 8) 2 150,700	(7,976) 199,400	(9,9 4) 48,100
Whiskies	40 egrees	(4,558) 98 ,300	(13,775) 2 651,000	(10, 5) 2 409,000	(10, 5) 409,000	(10, 5) 409,000
pirits 2	37 2 egrees	(9,9 7) 2 367,300	(9,9 7) 2 367,300	(9,9 7) 2 367,300	(9,9 7) 2 367,300	(9,9 7) 2 367,300
Liqueurs	1 egrees	(8, 17) 98,600	(9,8 4) 119,088	(9,8 4) 119,088	(9,8 4) 2 119,088	(9,8 4) 119,088

(Note) T e rates i brackets are tax rates per kilolitrer per egree of alco ol. 2

T e Tariff Rates (A ex B)

Categories	1 April 1998	1 April 1999	1 April 2000	1 April 2001	1 April 2002	1 April 2003	1 April 2004
H S 08. 30-011 H S 08. 30-017 Bourbo w hisky	10.3%2	7.9%2	5.4%2	3.0%	0%	---->	---->
H S 08. 40-000 Rum a tafia	18.0%2	13.6%2	9.0%2	4.5%	0%	---->	---->
H S 08. 50-	77.00ye /liter	57.75ye /liter	38.50ye /liter	19. 5ye /liter 2	0 2	---->	----> 2

000 q Gin and Gene a ee n e)	17.5%q	13.1%q	8.8%q	4.4%q	0%		
HS 2208. 60-020 V dka	16.0%q	12.0%q	8.0%q	4.0%	0%	---->	----> q
HS 2208. 70-000 Li ueur and c rdial	yen/li er q 126.00	yen/li er q 94.5	yen/li er q 63.00	yen/li er q 31.50	0 q	---->	----> q

N e) Ad al rem du y r pecific du y, whiche er l wer, I implied f r Gin and Gene a

WORLD TRADE ORGANIZATION

C mmi ee n Sub idie and C un er ailing Mea ure

G/SCM/N/5/JPN

17 N ember 1997

Original: Engli h

SUBSIDIES

Upda ing N ifica i n Pur uan Ar icle XVI.1 f he GATT 1994 and Ar icle 25 f he Agreemen n Sub idie and C un er ailing Mea ure

The f ll wing c mmunica i n, da ed 7 Oc ber 1997. ha been recei ed fr m he Permanen Mi i n f he Japan.

Japan ubmi hi n ifica i n in acc rdance wi h i bliga i n under Ar icle XVI. I f he GATT 1994 and Ar icle 25 f he Agreemen n Sub idie and C un er ailing Mea ure . Thi n ifica i n d e n prejudge he legal a u , effec r na ure f he n ified pr gramme r mea ure under GATT 1994 and he Agreemen n Sub idie and C un er ailing Mea ure .

FINANCIAL MEASURES FOR SHOCHU B MANUFACTURERS

1. Ti le f he ub idy Pr gramme

Financial Mea ure f r Sh chu B Manufac urer

2. Peri d c ered by he n ifica i n

3. P licy bjec i e and/ r purp e f he ub idy

T ref rm he ruc ure f Sh chu B indu ry and help he moderniza i n f i en ir nmen al pr ec i n facili ie .

4. Backgr und and au h ri y f r he ub idy

The Mini ry f Finance.

5. Legi la i n under which i i gran ed

Special Mea ure Law c ncerning he abili y f he Sake Brewing and Rela ed Manufac ure

6. F rm f he ub idy i.e. gran , l an, ax c nce i n, e c.) q

Interest-free n t the Sh chu B Manuf ctures Industry Funds nd Gr nts

7. T wh m nd h w the subsidy is pr ided

J p n Brewers Ass ci ti n.

8. Subsidy per unit, r in c ses where this is n t P ssib e.

The Funds' running pr fit: T1.06 bi i n

Gr nts fr m the St te budget: TO.33 bi i n

9. Dur ti n f subsidy nd/ r ny ther time imits tt ched t it .

Dur ti n f the interest-free n is imited t ten ye rs.

10. St tistic d t permitting n ssessment f the tr de effects f subsidy'

Qu ntity f Shipment f Sh chu B - (k)

Year v	**1994** v	**1995** v	**1996**
Domestic	287,211	296,621	318,076
Imp rt v	43	42 v	537
T t v	87,254	296,663	318,613

St tistics f pr ducti n, c nsumpti n, imp rts nd exp rts: v

(i) f r the three most recent ye rs f r which st tistics re i b e.

(ii) f r pre i us represent ti e ye r, which, where p ssib e nd me ningfu , sh u d be the test peri d preceding the intr ducti n f the subsidy r preceding the st maj r ch nge in the subsidy.