

DISTILLED
SPIRITS
COUNCIL
OF THE
UNITED
STATES

October 11, 2007

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

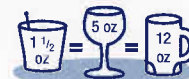
Dear Madam Speaker:

On behalf of the Distilled Spirits Council of the United States, Inc. and its member companies, I am writing to urge your support for the prompt approval of the U.S. – Peru Trade Promotion Agreement, as well as the pending free trade agreements (FTAs) with Colombia, Korea and Panama. The Distilled Spirits Council is a national association representing U.S. producers, marketers and exporters of distilled spirits products, and importers of spirits and wine. Our member companies export distilled spirits products to more than 130 countries worldwide, including all four FTA partner countries.

The U.S. distilled spirits industry – a segment of the U.S. processed agricultural products sector – is highly dependent on international trade, both exports and imports. At present, the playing field in all four countries is heavily tilted against U.S. export interests: Colombia and Korea assess tariffs of 20% *ad valorem* on U.S. spirits, Panama's tariff is 15% *ad valorem*, and Peru's tariffs range from 10% - 20% *ad valorem*. In contrast, the United States imposes zero tariffs on imports of nearly all spirits imported from these countries.

The entry-into-force of the pending FTAs will provide immediate and significant commercial benefits to U.S. spirits exporters. Peru and Panama have agreed to eliminate their tariffs immediately on all U.S.-origin spirits. Korea will eliminate immediately its tariff on Bourbon and Tennessee Whiskey, which account for the vast majority (81% by value) of U.S. spirits exports to Korea, and will phase out its tariffs on other U.S. spirits over five years. Colombia will eliminate immediately its tariffs on U.S.-origin brandy, gin, liqueurs and certain other spirits and phase out the tariffs on the remaining U.S. spirits categories. Equally important, Colombia will eliminate the discriminatory practices of its state-level alcohol monopolies and its discriminatory excise tax regime.

Moreover, our FTA partner countries have agreed to recognize “Bourbon” and “Tennessee Whiskey” – by far the U.S. spirits industry’s largest export categories worldwide – as distinctive products of the United States, thereby protecting their



consumers, as well as U.S. producers. Once the FTAs are approved, only Bourbon and Tennessee Whiskey produced in the United States in accordance with U.S. laws and regulations may be sold as such in all four markets.

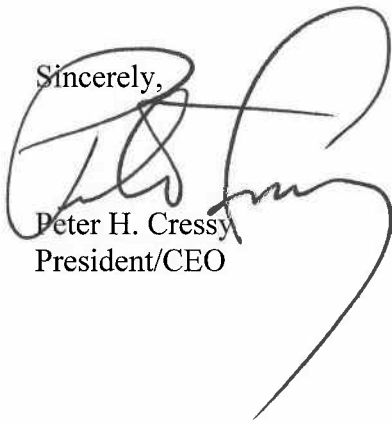
The benefits of the four FTAs to the U.S. distilled spirits industry are obvious; there are no apparent downsides. The failure to approve these FTAs would, however, exact a very high price on U.S. exporters since our main competitor in these markets – the European spirits industry – is likely to benefit soon from the completion of the European Commission's FTA negotiations with Korea, Colombia and Peru. Indeed, the European industry has told us point-blank that its principal objective in the EU's FTA negotiations with Korea is to obtain exactly the same commitments that U.S. negotiators secured from Korea.

More broadly, of course, many products from Colombia, Panama and Peru already enter the United States duty-free by virtue of the Andean Trade Preferences Act and the Caribbean Basin Initiative. It is incomprehensible to us that the United States Congress would not seize this opportunity to level the playing field by securing improved access to these markets for U.S. exports.

In short, we strongly urge you to support the four pending FTAs, which the U.S. spirits industry enthusiastically endorses. I would also like to take this opportunity to underscore the importance of reauthorizing the Trade Promotion Authority (TPA) procedures as quickly as possible. The expiration of the TPA legislation has put U.S. initiatives on hold at a time when our trading partners – and competitors – are accelerating their trade negotiations. In a global economy, we simply cannot afford to slip behind.

We stand ready to work with you to secure Congressional approval of the U.S. – Peru Trade Promotion Agreement at the earliest possible date, followed closely by approval of the pending FTAs with Colombia, Korea and Panama and TPA reauthorization. We would of course be pleased to provide any additional information that you may require.

Sincerely,



Peter H. Cressy
President/CEO