
*Wine Institute* is the premier organization of California wineries in the United States (U.S.) and around the world, representing 95% of California production, 85% of U.S. production and 90% of U.S. exports. With close to 1,000 winery and affiliated business members, Wine Institute’s Officers, Board of Directors, Members and professional staff work to initiate and advocate public policy that enhances the ability to responsibly produce, promote and enjoy wine.

With U.S. wine exported to more than 150 countries, Wine Institute’s California Export Program marketing campaign in 25 countries, supported by the U.S. Department of Agriculture (USDA) Market Access Program (MAP), communicates California as an aspirational place with beautiful landscapes, iconic lifestyle, great wine and food, and as an environmental leader through a full slate of activities including:

- Pavilions at leading wine trade shows throughout the world;
- Trade, media and consumer tasting tours in Europe, Asia, Canada and Latin America;
- Retail, on premise and consumer promotions in numerous export markets; and
- Media and trade visits to California’s winegrowing regions.

Of the Export Program’s 175 member wineries, more than 160 (91%) of them are “small businesses” as defined under federal law.

In addition to marketing overseas, Wine Institute conducts a comprehensive International Trade Policy program focused on removing barriers and facilitating the international wine trade.

For background on wine-related trade barriers, including protective tariffs, geographical indications, subsidies, preferential market access and incompatible composition standards, opportunities for removing barriers and key Wine Institute initiatives such as the APEC Wine Regulatory Forum, World Wine Trade Group and FIVS see: [http://www.wineinstitute.org/international_trade_policy](http://www.wineinstitute.org/international_trade_policy)
Introduction

The 2015 Trade Barriers Report continues a series that began as a study of the Wine Equity Act of 1984. This report evaluates regional and country-specific export performance and analyzes current trade barriers facing California and U.S. wine exports. In addition, it identifies opportunities enabling the U.S. Administration, Congress and winemakers to work together to eliminate barriers to trade.

Over the years, numerous trade barriers have been successfully challenged, allowing U.S. wine exports to grow to nearly USD 1.5 billion in 2014. Nevertheless, California winemakers face an increasing number of new tariff and non-tariff technical barriers each year. This report identifies these challenges and offers ways in which governments and industry can work to address them and open up new markets.

The 2014 World Market

As reported in Wine Institute's 2014 World Vineyard, Grape and Wine Report prepared by Trade Data & Analysis, World vineyard acreage in 2014 grew to 17.96 million acres. U.S. acreage increased from 976,000 acres in 2011 to approximately 1 million acres in 2014, an increase of 6%. In California, which accounted for 85% of U.S. vineyards, wine grape vineyards increased by 5,000 acres (+2.7%) between 2012 and 2014.

In 2014, world wine production increased to 28.23 billion liters (+6.4%). U.S. production totaled 2.92 billion liters in 2011 and increased by 12% to 3.021 billion liters in 2014. The value of world wine exports increased from USD 34.263 billion in 2011 to USD 36.833 billion in 2014 (+6.2%). The value of U.S. wine exports in 2014 increased by 15.3% from 2011. The value per liter of U.S. exports increased from USD 3.08 in 2011 to USD 3.37 in 2014, an increase of 9.4%.

The quantity of world wine exports increased from 11.43 billion liters in 2011 to 11.64 billion liters in 2014, up 1.8%. Spain replaced Italy as world's largest wine exporter in 2014, with France coming in third place. The U.S. was the eighth largest exporter in 2014 at 442.6 million liters, up 3.8% over 2011. The U.S. is the world's largest wine importer by volume in 2014 reaching USD 5.451 billion, up 14.7% from 2011. In terms of quantity, Germany, United Kingdom (UK) and the U.S. were the three largest wine importing countries in 2014.

Global wine consumption reached a peak of 24.511 billion liters in 2014, decreasing slightly from 2013 by 0.11%. In 2014, the U.S. remains first in world wine consumption followed by France, Italy, Germany and China. U.S. consumption was 3.217 billion liters in 2014, an increase of 3.2% compared to
2011. From 2011 to 2014, significant growth in wine consumption occurred in China (+27.2%).

Global *per capita wine consumption* in 2014 is estimated at 3.44 liters. In 2014, Vatican City experienced the highest rate of per capita consumption at 49.5 liters followed by Andorra (48.6), St. Helena (47.7), Croatia (46) and France (42.7). Per capita consumption in the U.S. reached 10.25 liters in 2014, equaling 13.13% of world wine consumption, making it the largest market.

**U.S. Wine Exports**

*U.S. wine exports*, 90% from California, reached $1.49 billion in winery revenues in 2014, the second highest dollar value for U.S. wine exports and a 64% increase from five years ago. Despite a strong dollar and the West Coast port slowdown, U.S. wine exports by volume rose to 442.7 million liters (49.2 million cases). Of the top 10 export markets for California wines, the European Union’s 28-member countries were the largest accounting for $518 million; followed by Canada, $487 million; Japan, $88 million; China, $71 million; Hong Kong, $69 million; Mexico, $24 million; South Korea, $22.2 million; Nigeria, $21.9 million; Vietnam, $20 million; and Singapore, $16 million.

The following table summarizes 2014 *U.S. rankings* in world vineyard acreage, grape production, wine production, consumption, per capita consumption, exports and imports:

**U.S. Rankings – 2014**

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>QUANTITY/ VALUE</th>
<th>WORLD RANKING</th>
<th>% OF WORLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vineyard Acreage (Acres)</td>
<td>1.035</td>
<td>6</td>
<td>5.8</td>
</tr>
<tr>
<td>Grape Production (U.S. Tons)</td>
<td>7,764</td>
<td>3</td>
<td>9.35</td>
</tr>
<tr>
<td>Wine Production (Liters 000)</td>
<td>3,021,400</td>
<td>4</td>
<td>10.61</td>
</tr>
<tr>
<td>Wine Consumption (Liters 000)</td>
<td>3,217,500</td>
<td>1</td>
<td>13.13</td>
</tr>
<tr>
<td>Population</td>
<td>313,847,465</td>
<td>3</td>
<td>4.40</td>
</tr>
<tr>
<td>Per Capita Consumption (Liters)</td>
<td>10.25</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Wine Exports (Liters 000)</td>
<td>442,663</td>
<td>8</td>
<td>3.80</td>
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<tr>
<td>Wine Export (Value USD 000)</td>
<td>1,494,475</td>
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<tr>
<td>Wine Imports (Liters 000)</td>
<td>1,129,618</td>
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<td>10.04</td>
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<tr>
<td>Wine Imports (Value USD 000)</td>
<td>5,451,327</td>
<td>1</td>
<td>14.72</td>
</tr>
</tbody>
</table>
Balance of Trade

In 2014, the overall U.S. trade deficit was $505 billion, including a $3.9 billion balance of trade deficit added by the wine sector. This $3.9 billion wine imbalance was the largest unfavorable value deficit in U.S. wine trade history and the most unfavorable value balance of trade in the world. The U.S. had a favorable value balance of trade with 129 countries and an unfavorable value balance of trade with 35 countries. France enjoyed the largest favorable value balance of trade at $9.3 billion and Italy the largest favorable quantity trade balance at 1.9 billion liters.


Wine Institute works closely with the U.S. legislative and executive branches including the Congress, the Office of the U.S. Trade Representative (USTR), U.S. Department of Commerce, USDA including the Foreign Agricultural Service (FAS), U.S. Treasury Department’s Alcohol and Tobacco Tax and Trade Bureau (TTB), Department of State, Environmental Protection Agency and Food and Drug Administration on tariff and trade barrier reduction, free trade agreements and other international issues. Wine Institute and the U.S. government play a lead role in multilateral groups such as the World Wine Trade Group and the Asia-Pacific Economic Cooperation (APEC) Wine Regulatory Forum which help to remove trade barriers, open new markets and increase sales in both developed and emerging markets. We are grateful for their tireless efforts and longstanding support.

In addition, Wine Institute actively participates in FIVS, the important international alcoholic beverage federation, which brings together producers and trade associations from around the world to remove barriers and promote open trade.

TRADE PROMOTION AUTHORITY (TPA)

The most significant factor in growing U.S. wine exports, the elimination of tariffs, is best accomplished through free trade agreements (FTAs) entered into between the U.S. and other countries. On June 24, 2015, Congress gave final approval of the Bipartisan Congressional Trade Priorities and Accountability Act, which will lead to new FTAs. As a result of FTAs implemented since 1989, U.S. agricultural exports have nearly quadrupled in value and now stand at a record $152.5 billion. TPA, also known as “fast track” authority, is critical to the U.S. completing strong agreements such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) that will uphold the 2006 U.S.-EU Wine Trade Agreement, open new markets and set enforceable rules for trade with other countries.

At Wine Institute’s urging, Congress inserted strong language in the 2015 TPA legislation to curtail improper use of geographical indications (GIs),
addressing a growing threat to American wine companies that use common names for their products. In addition, in response to EU efforts to claim exclusive global use of common semi-generic and descriptive wine terms, the bill directs U.S. negotiators to prevent other countries from improperly regulating GIs and other terms of a descriptive or generic nature that would limit market access for U.S. wine.

**TRANS-PACIFIC PARTNERSHIP (TPP)**

On October 5, 2015, the U.S. and 11 other Pacific Rim nations successfully concluded the Trans-Pacific Partnership (TPP) free trade agreement negotiations. Upon entry into force, TPP will significantly help level the playing field and grow U.S. wine exports by eliminating tariffs, removing non-tariff barriers and setting enforceable rules for trade. U.S. wineries shipped over $641 million of wine to TPP countries in 2014, representing 40 percent of total U.S. wine exports.

**COUNTRY OF ORIGIN LABELING (COOL)**

Wine Institute is urging Congress to repeal its mandatory Country-of-Origin Labeling (COOL) requirements for beef, pork and poultry to avoid retaliatory tariffs by Canada and Mexico. The WTO has ruled four times that USDA regulations discriminate against Canadian and Mexican producers and, as a result, Canada and Mexico are now seeking WTO approval of $3 billion in retaliatory tariffs on U.S. products including wine. Retaliation by Canada and Mexico would result in hundreds of millions of dollars in damage to the U.S. wine industry and it would take years to reclaim this lost market share.

**6TH ANNUAL TTB/WINE INSTITUTE TECHNICAL FORUM**

On May 5-8, 2015, Wine Institute’s Technical Advisory Committee and TTB organized the 6th Annual TTB/Wine Institute Technical Forum with discussions on critical technical issues including testing for pesticides, allergen residue, sugar content, and authenticity, authenticity database specifications, “Fit for Purpose” methods, transition arrangements for wine regulations, expiration date labeling, ingredient/nutrition labeling, the role of science in wine regulation and international organizations such as the APEC Wine Regulatory Forum, World Wine Trade Group, CODEX, FIVS and OIV and regulatory principles.

**INTERNATIONAL WINE TECHNICAL SUMMIT**

As part of the Technical Forum, TTB and Wine Institute have developed the International Wine Technical Summit, helping to strengthen industry relationships with U.S. and international scientists and regulators. The Summit is a collaborative group of international government and industry who have an understanding of the technical issues surrounding wine production and trade. The purpose of the Summit is to share best practices, and exchange ideas and experiences while fostering a collaborative environment in which to discuss
sound science in wine regulation and enforcement, and trade issues of a technical or scientific nature. The California wine industry benefits from these collaborations, which translate to increased communication, science-based public policy and regulations that are valid and transparent. (Summit presentations are posted at http://www.wineinstitute.org/IWTS2015.)

**EU-U.S. TRADE**

Wine Institute supports U.S. efforts to uphold the 2006 EU-U.S. Agreement on Trade in Wine in the U.S.-EU Transatlantic Trade and Investment Partnership (TTIP) negotiations. Continued engagement under the 2006 agreement is critical to protecting previously agreed upon semi-generic terms and addressing EU efforts on winemaking practices, labeling, the intellectual property rights of U.S. wine producers worldwide, the restrictive nature of their GI and “traditional terms” regimes and use of descriptive terms on U.S. wine labels exported to EU markets.

**HARMONIZATION OF PESTICIDE AND FUNGICIDE LIMITS**

Wine Institute supports work in WWTG, the APEC Wine Regulatory Forum and other venues to bring regulatory coherence with respect to maximum residue limits (MRLs). This year, U.S. industry priority MRLs for wine grapes in key foreign markets were added to the international database http://www.mrlpriority.com/. This new initiative focuses on MRLs for which there is no established level or where the current MRL is more restrictive than that established in the U.S. The U.S. government and brand owners are working now to harmonize where possible MRLs between the U.S. and Canada, China, Codex Alimentarius, South Korea, Hong Kong and Taiwan, with the long term objective to reduce potential trade barriers.

**CODEX ALIMENTARIUS**

Wine Institute continues to encourage Codex representatives to incorporate commonly used winemaking additives into the additive standard. Many countries adopt the Codex standard, without considering internationally accepted winemaking additives. In addition, the Codex Committee on Food Labeling is revising the labeling standard and we advocate that wine should remain exempt from date marking. For more information on these initiatives, please see: http://www.wineinstitute.org/international_trade_policy.

Wine Institute trade priorities also include ongoing work in:
- TTIP and World Trade Organization (WTO) “Doha Round” negotiations;
- Bilateral and plurilateral talks to achieve mutual recognition of U.S. winemaking standards and reduce tariffs on U.S. wines; and
- Efforts to protect wine place names and intellectual property, seek more harmonized standards, simplify export certificates and respond to unreasonable technical, sanitary and phytosanitary barriers proposed by other countries.
Collectively, the EU is the world’s largest producer, importer, exporter and consumer of wine. Almost 50% of the land dedicated to vineyards in the world is located in the EU, which produces 60% of the world’s wine volume. The EU has the largest share of vineyard acreage for the production of wine (62.9) and the largest share of world wine production (58.5). It is important to note that from 2008 to 2014 the EU subsidized their wine producers to reduce vineyards from 9.08 million acres to 7.90 million (a 13% reduction) to combat oversupply.

In 2014, EU producers exported more than USD 3.8 billion in wine to the U.S., up 4.39% from 2013. EU exports to the U.S. seven times more than the U.S. wine exports to the EU, accounting for more than 71% of all wine imports into the U.S. market. Despite the EU’s higher import tariffs, the direct subsidization of European grape farmers and wineries and other non-tariff barriers, U.S. wine sales in the EU totaled nearly USD 518 million. In addition to the import tariff, each EU country has the authority to impose its own excise tax and VAT to wine imports. Although the EU is attempting to harmonize import requirements, these excise taxes – along with additional taxes and handling charges assessed by individual countries – make it difficult and expensive to export wine to many EU countries. For each of

EUROPEAN UNION

Specific Country Profiles

For still wines, if the actual alcoholic strength by volume (ABV):
• Is not exceeding 13 % volume - EUR 13.1 (USD 14.8);
• Is between 13 % -15 % volume - EUR 15.4 (USD 17.4);
• Is between 15% -18% volume - EUR 18.6 (USD 21);
• Is between 18% - 22 % volume - EUR -20.9 (USD 23.7);
• Is exceeding 22% volume - EUR 1.75 (USD 2) per percentage of ABV per hectoliter.

For sparkling wines:
• The import tariff is EUR 32 (USD 36) per hectoliter.
the following countries, the tariff is as described above. These profiles list the excise, VAT and other taxes where applicable.

**BELGIUM**

Belgium is the 10th largest export market for U.S. wine with sales of USD 27.8 million in 2014, up 16% from 2013. The VAT is 21% and there is a EUR 56.97 (USD 64.49) per hectoliter excise tax on still wine and a EUR 194.94 (USD 220.67) per hectoliter excise tax on sparkling wine.

**DENMARK**

In 2014 U.S. wine exports to Denmark totaled USD 28 million. The VAT on all wine is 25%. The excise taxes vary based upon level of alcohol. For still wine 6%-15% by volume the rate is DKK 1,161 (USD 176.16) per hectoliter. For still wine 15%-22% by volume the rate is DKK 1,555 (USD 234.94) per hectoliter. The rate for sparkling wine are, for 6%-15% is DKK 1,496 (USD 226.98) per hectoliter and for 15%-22% DKK 1,890 (USD 286.77) per hectoliter. Denmark also charges a container deposit tax on certain packaging and disposable tableware. U.S. wineries should check with the importer as to applicable rates for wine containers.

**FINLAND**

In 2014, U.S. wine sales totaled USD 8.7 million, an increase of 121% from 2013. Retail sales of wine and liquor are restricted to Alko, a government monopoly. Wine importers must obtain a license from the National Product Control Agency (STTV). Wine from non-EU countries must have an import certificates. Most of Finland’s imported wine comes from within the EU where it is imported duty free.

Finland levies a 24% VAT. The excise tax is EUR 339 (USD 383.79) per hectoliter for still wine. The excise tax rate for sparkling wine varies. Sparkling wines from 1.2% to 2.8% alcohol have a EUR 22 (USD 24.91) tax per hectoliter. Between 2.8 and 5.5% the tax is increased to EUR 169 (USD 190.97) per hectoliter, and from 5.5 to 8% the tax is EUR 241 (USD 272.84) per hectoliter. The government also collects revenue from the profit markup of wine sold at retail.

**FRANCE**

2014 U.S. wine sales to France totaled USD 40.2 million, a slight decline from 2013. California wines face strong competition from domestic French producers, as well as from Spain, Portugal and Italy and the new world such as Australia, South Africa and Chile. As of January 1, 2014, France levies a VAT of 20% of the import price for all wines. There is also an excise duty of EUR 3.72 (USD 4.21) per hectoliter on still wine and an excise duty of EUR 9.23 (USD 10.45) per hectoliter on sparkling wine.

**GERMANY**

Imported wine into Germany accounts for about one-half of domestic consumption. Much of the U.S. wine exported to Germany arrives in bulk and is bottled locally and sold in leading German supermarkets. In 2014, U.S. exports of wine to Germany totaled USD 67 million. Germany levies a 19% VAT on wine imports. There is no excise tax on still wine. The tax on sparkling wine with more than 6% ABV is EUR 136 (USD 153.97) and on sparkling wine with less than 6% ABV is EUR 51 (USD 57.74) per hectoliter.

**IRELAND**

U.S. exports in 2014 totaled USD 4.4 million, increasing by 26% over the previous year. The VAT is 23%. Ireland bases excise tax on alcohol content. For still wine with 5.5 to 15% ABV the rate is EUR 424.84 (USD 480.97) per hectoliter. For wine over 15% by volume it is EUR 616.45 (USD 697.90) per hectoliter. For sparkling wine over 5.5%, the rate is EUR 961.95 (USD 1084.13) per hectoliter.

**ITALY**

In 2014, U.S. exports were USD 51 million, up 3% from 2013. Most of this wine was bulk, bottled in Italy for distribution throughout the EU. Italy imposes a 22% VAT and no excise tax on wine.

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LATVIA

Latvia and the U.S. have signed treaties on investment, trade, intellectual property protection, and avoidance of double taxation. U.S. exports totaled USD 2.6 million in 2014. The VAT is 21%. The excise tax for both still and sparkling wines is EUR 70 (USD 79.25) per hectoliter.

NETHERLANDS

In 2014 U.S. exports to the Netherlands were USD 15.9 million. The VAT is 21%. The excise tax is EUR 88.36 (USD 100.04) per hectoliter on still wine and EUR 254.41 (USD 288.03) on sparkling wine.

POLAND

Poland is the 15th largest market for U.S. wine exports equaling USD 19 million in 2014. In 2013, USDA reported that the wine market "should maintain strong growth (projected 20%) over the next five years and should increase its share of the alcohol beverage market."4 The VAT is 23% and the excise tax is PLN 158 (USD 42.50) per hectoliter on still and sparkling wine.

SPAIN

U.S. wine exports to Spain were USD 1.4 million in 2014. The Spanish tend to purchase their own wine and France and Italy continue to dominate the import market. Spain’s decreased per capita consumption is a result of the economic downturn, high rate of unemployment and anti-alcohol campaigns. The VAT is 21% and there is no excise tax.

SWEDEN

Sweden maintains a national wine retail monopoly, Systembolaget, imposing high taxes on alcohol for public health reasons. In 2014, U.S. exports were USD 26 million. The VAT is 25% and the excise tax is SEK 2,309 (USD 280.06) per hectoliter for both still and sparkling wine above 8.5% ABV.

UNITED KINGDOM

The UK is the second largest single country importer of U.S. wine, after Canada. In 2014, U.S. exports totaled USD 222 million. New world suppliers remain popular with UK consumers, while European producers continue to lose market share. While sales of California wine remain relatively even, the premium wines category (above $15/bottle), in which wine regions establish their reputations, sales are growing by a conservative estimate of 10%, in value and quantity, in the last two years.

Despite the success, UK taxes have a harmful impact on U.S. wine exports. The VAT is 20%. The excise tax on still wine is GBP 273.31 (USD 424.85) per hectoliter and the rate for sparkling wine is GBP 449.85 (USD 697.27) per hectoliter. Since the UK is outside of the Eurozone, the strong U.S. dollar is less of a hindrance to U.S. wine exports, as the pound sterling retains its value.

Selected Other Countries

ARGENTINA

U.S. exports to Argentina continue to be small. In 2014, U.S. exports totaled USD 63,605. The tariff is 20%, the VAT is 21% and excise tax is 20%. There is a 3% import tax and a statistical tax of 0.5% all applied to the Cost, Insurance + Freight (CIF) value. The government provides Argentina wine exporters with a 6% rebate on the excise tax payments made in foreign markets.

AUSTRALIA

U.S. wine exports totaled USD 4.3 million in 2014, an increase of 4.5% from 2013. In 2004, the U.S. and Australia signed a FTA and, as a result, U.S. exports face a 0% import duty. However, wine is subject to the Wine Equalization Tax (WET). To calculate WET, importers must work out the taxable value of the last wholesale price and multiply by 29%. Some Australian and New Zealand wines are eligible for a rebate of the WET, therefore providing a competitive advantage for those products.5 There is no excise tax when paying the WET. There is a 10% Goods and Services Tax applied on “Free on Board” (FOB) + duty + WET.


BARBADOS
In 2014, U.S. exports were USD 1.8 million, remaining at the same level as the previous year. The tariff and tax rates on U.S. wines in Barbados are sizable. The customs duty for table wine is 25%, the excise tax is 25% and the VAT is 17% applied on CIF, duty and other taxes. There is an additional 6% Customs Service Charge based on the CIF value.

BERMUDA
Bermuda imported USD 4.4 million of U.S. wine in 2014, nearly double the 2013 amount. The wine tariff is USD 2.89 per liter. Bermuda repealed “duty in lieu of wharfage” (port tax) on May 1, 2014.

BRAZIL
In 2014, U.S. exports totaled USD 6.1 million, up 45% from 2013. Although Brazil’s population is large – approximately 200 million people – wine consumption per capita for 2014 was 1.7 liters.

U.S. wine is subject to the 27% import duty applied on CIF for containers containing two liters or less. Other wine categories (over two liters) have a 20% tariff. Since Brazil is a member of the Mercosur FTA, other South American countries that are parties to this agreement or have an agreement with Mercosur (Chile) are exempt from that import tariff. In addition, Brazil imports wine from Italy, Portugal and France, whose producers receive significant subsidies offsetting their export costs.

U.S. wine faces at least eight different types of taxes upon import, including an Industrial Product Tax (IPI), described in more detail below, and an automated system clearance fee (SISCOMEX) of BRL 30 (USD 7.69) per entry as basic charge. Over this basic fee, Brazil collects an additional charge depending on the number of items inside the import declaration. A maximum of BRL 40 (USD 10.25) per entry is applied. In addition, there is a 7.6% social security tax (COFINS) and a 1.65% Social Security Tax (PIS). A Customs Broker’s Union Contribution Tax of 2.2% is applied with a maximum of USD 160 and a minimum of USD 71. There is a 17% VAT known as Merchandise Circulation Tax (ICMS) applied on CIF + duty. A Warehouse tax starts at 1% of CIF & duty plus USD0.15/kg for up to five days for items arriving at an airport. The sea tax (AFRMM) is 25% on freight value.

On August 31, 2015 Brazil proposed changes to the Industrial Product Tax, which if enacted, will significantly raise wine taxes. Before the proposal, the IPI was BRA1.08 per bottle (USD 0.28) up to USD 70. The government seeks to change the rate to 10% of the product value (product+CIF+II) for sparkling wines and 20% for still wines. For comparison, without including CIF, under the existing tax structure the average bottle to Brazil would pay approximately USD 0.27 in IPI taxes, and under the new system the IPI would equal $2.98 plus the other taxes and fees mentioned above. At the time of this report, various associations in Brazil were fighting this proposal.

Brazil requires certification and documentation for all wine imports including the combined Certificate of Origin and Analysis. For a product without labels in Portuguese, companies may use an adhesive sticker over the original label containing all the required information. Labels on wines exported to Brazil are required to list the net contents (in metric units), the importer’s name, address and corporate ID number, importer registration number, list of ingredients, lot identification code, period of validity (if applicable), etc. In 2015, Brazil revised allergen labeling requirements and it is no longer necessary to declare, “Contains sulfites” on the label. These requirements are often in addition to what is required for labels in the U.S. and other markets. Exporters should forward a label sample to the importer to confirm label compliance.

CANADA
Canada is the largest export market by country for U.S. wines, with sales totaling USD 487 million in 2014, up 7% from 2013. U.S. wines enter the market duty-free in accordance with the U.S.-Canada

FTA and NAFTA. Canada imposes an excise tax depending on alcohol content. For still wine 1.2% to 7% ABV, the excise tax is CAD 0.295 (USD 0.22) per liter applying on FOB + duty and for still wine 7-13.7%, the excise tax is CAD 0.62 (USD 0.47) per liter. Each Province carries a different tax rate (Harmonized Services Tax (Federal) and Provincial Goods and Services (GST), which are sometimes combined with the federal rate. Canada waves the excise tax for domestic wines made from 100% Canadian-grown grapes.

The provinces levy additional taxes and fees which include mark-ups, sales taxes, bottle taxes, and warehouse, handling and environmental fees. The markup in most provinces includes a provision for cost-of-service charges. Changes concerning the GST and a new HST combined both the GST and the Provincial Services Tax (PST) into one tax. In 2010, Ontario and British Columbia (B.C.) began harmonizing their respective provincial taxes with the federal Goods and Services Tax, making it the HST.

Canada operates under a system of provincial government-controlled liquor board monopolies (LCBs). The operation of these monopolies and their restrictions on U.S. exports differs from province to province. These LCBs frequently provide direct and indirect subsidies to Canadian producers. As described below, B.C. regulations favor the sale of domestic wine by providing additional retail locations, including farmers’ markets and in dedicated areas of grocery stores. Ontario is considering a similar measure. The 1987 U.S.-Canada FTA allowed Ontario and B.C. maintain private wine outlets to favor their own wine if they were established before October 4, 1987. Recent B.C. and Ontario initiatives contravene the FTA since it only allows the sale of wines through private outlets that existed in 1987.

**Alberta:** Alberta’s liquor board imports and controls wine but allows private stores to sell wine. The LCB has a monopoly on the wholesaling of imported wine. The private sector handles distribution. There are few restrictions on imports and sales by these private stores.

**British Columbia:** On April 1, 2015, B.C. implemented a highly discriminatory plan to relocate existing and new 100% BC wine licenses to grocery store shelves, in violation of Canada’s international treaty obligations. While B.C. efforts to modernize retail distribution channels and promote the sale of B.C. wines are commendable, the initiative as implemented remains highly problematic for California wineries. Wine Institute believes that the Government’s desire to promote B.C. wines can reasonably be achieved by modifying the initiative so that all wines, both local and imported, can equally access grocery store shelves.

Other regulations dramatically favor B.C. wineries which, unlike those outside the province, can:
- Provide terms to restaurants and retailers (all other wine comes through the B.C. Liquor Distribution Branch and must be paid for upfront);
- Provide discounts and quantity discounts (this is not allowed through the BCLDB system);
- Provide next day delivery via their own trucks (a “spec” item could take 10 days to be delivered); and
- Deliver less than a case (all other wines need to be purchased in full cases).

In addition:
- B.C. wine that is “direct delivered” does not go through the BCLDB system and no LDB fees or markups are applied;
- B.C. wineries are permitted to “direct deliver” wine to customers (e.g., individuals, private stores, restaurants, etc.) straight from the winery;
- “Cellared in Canada” wines (which are imported wines bottled in Canada) can be delivered using the B.C. wine distribution system even though they actually are not B.C. wines; and
- VQA Support Program or QEP (Quality Enhancement Program) provides rebates for B.C. wines that are sold through government B.C. Liquor Stores.

At Wine Institute’s request, on June 16, 2015, USTR formally raised this issue with the Canadian government in a bilateral meeting of the Consultative Committee on Agriculture, which focuses on improving cooperation and discussing differences on agriculture trade issues. In addition, on June 15 in Geneva, Deputy USTR Michael Punke issued a statement at the WTO Trade Policy Review of Canada that the U.S. government is:

> “...deeply troubled by recent changes to the Province of British
Columbia’s rules for selling wine. As of April 2015, B.C. allows only B.C. wines to be sold on the shelf in B.C. grocery stores. Barring imported wines from also being stocked on local grocery store shelves reduces the competitive opportunities for imported wines. We therefore urge Canada to ensure that a level playing field is afforded to domestic and imported wines alike in accordance with Canada’s obligations under the WTO.”

In 2014, the B.C. government announced that it would also allow B.C. liquor manufacturers to offer products for sample and sale at such temporary, off-site retail locations as farmers’ markets.

Quebec: Grocery and private retail stores can sell wine if bottled in Quebec by a company that includes Quebec’s Société des Alcools du Québec (SAQ) as a partner. The U.S.-Canada FTA states: “The Quebec provision relating to in-province bottling of wine for sale in grocery stores is grandfathered.”

Ontario: The Liquor Control Board of Ontario (LCBO) provides support to the Ontario wine industry in excess of USD 32 million/year. LCBO often waives retail sales markups and freight costs for local producers, offers domestic producers exclusive merchandising and marketing programs and gives store support such as preferential shelf space. The Premier’s Advisory Council on Government Assets is currently considering changes to how wine is sold in Ontario. As in B.C., any expansion of grocery store wine sales in Ontario must include equal access for imported wines.

Wine exported to Canada faces additional trade barriers including redundant testing and certification requirements, domestic rebate subsidy programs, discriminatory consignment sales and warehousing and delivery charges. Many of these “extra” charges are higher for U.S. wine than other foreign wine. Each of these barriers reduce the competitiveness of U.S. wine within Canada.

CAYMAN ISLANDS

U.S. wine exports totaled USD 4.6 million in 2014, up 25% from 2013. Although the government does not impose income or business taxes, there is a wine import tariff. Importers must obtain a license issued by the government if importing more than 2 liters of wine. Table wines face a tariff of KYD 3.60 (USD 4.39) per liter, dessert wines, KYD 5.25 (USD 6.40) per liter, champagne, KYD 10.80 (USD 8.86) per liter and other sparkling wines, KYD 7.80 (USD 9.51) per liter. A package tax and a warehouse fee also apply to air shipments. The package tax is KYD 5 (USD 6.10) for every 100 lbs. imported as airfreight. Cayman Islands applies a warehouse fee at airports equaling KYD 5 (USD 6.10) per package.

CHILE

In 2014, U.S. wine sales totaled USD 480,261, up 29% over 2013. U.S. imports face strong domestic competition. In 2016, U.S. wine exports will enter Chile duty-free. There is a residual tariff rate of 6% ad valorem on wines imported into Chile (decreasing under the 2004 U.S.-Chile FTA), a 20.5% excise tax and a 19% VAT. The FTA was an important step in liberalizing Chile’s markets for increased imports of U.S. goods.

CHINA

China ranks sixth in wine production and fifth in total consumption. Domestic brands account for the majority of the market. U.S. wine sales to China in 2014 totaled USD 71 million, up 5.79% from 2012. Additionally, U.S. wine is reportedly transshipped through Hong Kong, making the Chinese market a significant developing marketplace for U.S. wines.

The most formidable constraints in exporting to China include inconsistent treatment of wine imports by China Customs on accepting the declared value for duty calculation as well as frequency of testing. China’s tax structure lacks transparency and discrepancies appear regularly between the official rate published by Customs and the rate actually assessed. China imposes taxes on an arbitrary customs value basis varying with the port of entry. U.S. wines face a tariff of 20% for bulk wine and 14% for bottled wine with a CNY 21 (USD 3.30) per 750 ml import tax. There is a consumption tax of 10% and a VAT of 17% applied on CIF + duty. Chile has an agreement with China and pays a 1.4% import tax. Tariffs on Australian

wines will phase out over five stages once the two countries ratify their free trade agreement. Additionally, New Zealand wines no longer pay the tax.

Intellectual property right (IPR) infringement remains a continuing threat for U.S. wineries in China. Wines from the U.S. and its regions are openly and obviously counterfeited. Internet ads falsely claim California origin. Wine Institute works with the U.S. government to strengthen IPR protection of U.S. brands and regions in China. In 2012, China recognized Napa Valley with GI status to protect against illegitimately labeled wines.

In an attempt to discourage fraudulent trademark filings and “trademark hijacking,” China adopted a new trademark law on March 1, 2014. Since China is a member of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, trademark applications can be based on a U.S. registration. However, it is highly recommended that wineries exporting to China file a trademark application in China prior to doing business there.

China has implemented wine composition regulations that restrict U.S. produced wines. Wine Institute and other international industry groups are petitioning Chinese authorities to obtain approval for the use of additives and processing aids currently accepted in many wine-producing countries. In addition, multiple importer registration and licensing requirements have become burdensome, particularly for the small and medium sized wineries. Inspection includes on-site hygienic inspection, labeling inspection, organoleptic inspection and laboratory tests. Documents required for every shipment include:

- Commercial Invoice (product type, quantity, value);
- Packing List (net/gross weight);
- Freight insurance certificate;
- Customs value declaration;
- Certificate of Origin (often prepared by freight forwarder);
- Consolidated Export Certificate (see below); and a
- Bill of Lading/Airway Bill often prepared by forwarder.

Because of recent U.S.-China regulatory cooperation, both bilaterally and in the APEC WRF, the U.S. and China agreed to a consolidated export certificate for U.S. wines sold in China, effective March 1, 2014. The certificate combines three separate certificates previously required by China (Certificates of Sanitation, Health and Free Sale). Wine Institute members worked closely with TTB to develop the new certificate, which reduces winery and government costs and serves as a model for simplifying and eventually eliminating export certificates in the Asia-Pacific region and other key markets.

**COLOMBIA**

In 2014, U.S. wine sales totaled USD 4 million, up 6% from 2013. Top exporters to Colombia are Chile, Argentina, Spain and France. Chile’s leading market share is due largely to a FTA and Argentina’s substantial share is due to a trade agreement between the Andean countries and MERCOSUR. The Colombia-U.S. FTA, which entered into force in 2012, reduces import duty from 15% to zero and helps make U.S. wine more price-competitive. The excise tax is COP 297 (USD 0.10) for alcoholic beverages below 35% ABV. The VAT is 16% calculated on CIF plus duty and there is a Special Customs Service Tax of 1.2% applied on CIF.

The exporter or importer must register the wine with the National Institute for the Surveillance of Food and Medicines, INVIMA (FDA counterpart). Wine must be labeled in Spanish and contain the name of the product, name and address of the importer, place of production, percentage of alcohol, net contents, the INVIMA registration number and a health warning statement indicating that excessive consumption of alcohol is harmful to health. The warning is required to occupy 10% of the total label. All imported bottled wines are acceptable in containers no larger than two liters. INVIMA inspects imported alcoholic beverages at the port of entry.

**CUBA**

California wineries may now be able to explore opportunities in Cuba, since the relationship between the U.S. and Cuban governments is restarting. While some wineries legally exported small amounts to Cuba in the past, compliance challenges with trade embargo rules discouraged many from exporting. In July 2014, Wine Institute hosted 20 Cuban sommeliers in California to educate them about the diverse offerings of California wine.
Currently, export figures show no shipments of California wine to Cuba and with the financial and export restrictions still in place we do not expect to see exports increase in the short term.

**GHANA**

U.S. wine exports to Ghana totaled USD 1 million in 2014. Along with other Economic Community of West Africa States (ECOWAS) countries, Ghana adopted a common external tariff (CET) in 2005, and currently applies a 20% tariff on imported wine. Other taxes include:

- VAT of 15%;
- Import Excise Tax of 22.5%;
- National Health Insurance Levy (NHIL) of 2.5% collected by the VAT Secretariat;
- Export Development and Investment Fund Levy (EDIF) of 0.5%;
- Inspection fee of 1%;
- ECOWAS Levy of 0.5%; and
- Ghana Customs Network (GCNET) of 0.4%.

**HONG KONG**

In 2014, Hong Kong represented the U.S.’s fifth largest wine market, where U.S. exports were approximately USD 69 million. Much of the wine imported is transshipped to other markets, including Macau and China. In 2008, Hong Kong eliminated its import tax. The labeling of alcoholic strength is not required by Hong Kong’s Labeling Regulation but by Hong Kong’s Dutiable Commodities Regulations. The Regulation does not mention tolerance levels, however, alcoholic beverages can have a range of alcoholic strength. (Alcoholic beverages are defined as those with an alcoholic strength over 1.2%.)

**INDIA**

In 2014, U.S. wine sales to India were USD 1.4 million, down slightly from 2013. Of the four BRIC countries, India is one of the most difficult in terms of market access. In addition to the prohibitive ad valorem tariff of 150%, several provincial states impose taxes on wine imports to protect their domestic winemaking industry. State-level taxes and fees are complex and add significantly to the retail price of a bottle of imported wine. Additional taxes added by provincial/state authorities range from 22-200%. India applies all taxes on CIF + duty + landing charge. Under the Customs tariff manual, S.No. 53 of 69/July 9, 2004 exempted all 2204, 2205 and 2206 WTO bound tariff goods from the “cess,” a tax to fund education for the poor. Because of these taxes, consumers mostly see Indian domestic wine in retail stores and are unfamiliar with imported brands. Most imported wine goes to the hotel and restaurant sector. India developed new winemaking regulations that, similar to China and others, exclude the use of certain internationally accepted additives and processing aids used by U.S. winemakers. In addition, India’s food regulations require ingredient listing for wine, when declaring “wine” or the grape varietal on the ingredient list would be duplicative of what is already on a wine label.

**INDONESIA**

In 2014 the U.S. exported USD 102,000 worth of wine to Indonesia, down 72% from 2013. The Ministry of Trade limits the number of authorized importers of alcoholic beverages to a small group, with requirements that the importer must represent 20 companies, from five separate countries with a minimum purchase of 3000 cases per brand, and have distributor agreements in at least six provinces. The Ministries of Trade and Industry set an annual quota with the majority of the quota going to European and Australian wine.

The Ministry of Finance eliminated the luxury tax on alcoholic beverages and increased the excise tax in 2014. In 2015, they changed the import duty from a specific tariff of RP 55,000/liter to an ad valorem tariff of 90%. While the duty is easier to calculate, the rate is now higher for any bottle of wine valued at more than RP 46,000 (USD 3.18).


ISRAEL

The sale of U.S. wine to Israel in 2014 totaled USD 2.2 million, up 14% from 2013. Israel signed the first FTA with the U.S. in 1995 and it eliminated U.S. import tariffs immediately for Israeli imports of wine into the U.S. while the Israeli tariff phased out over 10 years. However, Israel continues to protect their expanding winemaking industry. Consequently, at the end of the 10-year period, Israel claimed that the Uruguay Round Agriculture Agreement changed its tariff circumstance and it did not have to comply with its obligations for wine.

To address the differing views between the two countries over how the FTA applies to trade in agricultural products, in 1996 the U.S. and Israel signed an Agreement on Trade in Agricultural Products (ATAP), establishing a program of gradual and steady market access liberalization for food and agricultural products effective through 2001. The countries implemented a successor to ATAP 2004. This agreement, effective through 2008, granted improved access for select U.S. agricultural products. The governments extended ATAP four times, and is now renewed yearly to allow time for the negotiation of a successor agreement. ATAP provides U.S. food and agricultural products access to the Israeli market under one of three different categories: unlimited duty-free access, duty-free tariff-rate quotas (TRQs) or preferential tariffs, which are set at least 10% below Israel's most-favored nation (MFN) rates. ATAP provides for the duty-free tariff-rate quota of 200,000 liters and the MFN rate after that. The TRQ is still 200,000 liters, but in the discussions regarding the extension of the ATAP, Israel offered an extended quota for the U.S. The MFN tax (for imports above the quota) is subject to a rate of 12% plus NIS 1.47 (USD 0.39) per liter. The preference for the U.S. is by not fixing a minimum tax level (But Not Less Than...). The current VAT is 18%.

JAPAN

Japan continues to be the third largest wine market for U.S. wine; however, exports declined by 13% in 2014, to approximately USD 87 million. While Japan is the largest market for U.S. wines in Asia, Japan's high tariff and non-tariff barriers and import substitution policies continue to restrict growth. The tariff is structured so that bulk wine has a significantly lower rate allowing Japanese producers to import, blend and bottle wine as Japanese wine, which can be far more price competitive than U.S. bottled wine. To add further challenges to exports of U.S. wines the labor dispute at West Coast ports left many cases of wine stuck in warehouses unable to export to Japan and they are now slowly beginning to recover.

Japan's regulatory system for additives, processing aids and maximum residue limits for pesticides is particularly trade restrictive. The approval process for seeking changes to the standards is slow and not transparent. When various other international forums such as Codex, OIV or the WWTG approve new winemaking processes, Japan's regulators are reluctant to adopt those changes. It has taken the Japanese more than ten years to begin evaluating a FIVS petition for approval of the commonly used winemaking additive copper sulfate. Wine Institute received a multi-year USDA “Technical Assistance for Specialty Crops” grant and is working to obtain Japan's approval of ten.

additional internationally used wine-making additives and processing aids.

**MACAU**

In 2014, U.S. wine exports totaled USD 2.1 million. The Macau government levies no tariffs, however they do levy an excise tax. Certain alcohol beverages are subject to an ad valorem tax based on their CIF price in Macau, while other products are subject to fixed rates of consumption. The tax is based on alcohol strength, with the exception of rice wine. Wine is exempted from labeling requirements and a health certificate is not required. Since 2010, importers are not required to apply for any licenses or permits if they are importing alcoholic drinks with an alcoholic content less than 30% by volume. Only Macau companies registered with the Economic Services Bureau are eligible to import wine.

**MALAYSIA**

The market for wines in Malaysia focuses on the non-Islamic community, including Chinese, Indians expatriates and tourists. U.S. exports were USD 1.5 million in 2014. Malaysia imposes a “sin tax” on all alcohol imports. Wines have a tariff of MYR 7 (USD 1.66) and 15% ad valorem per liter for still wine and MYR 23 (USD 5.26) plus 15% ad valorem per liter for sparkling wine. In addition, all alcoholic products are subject to 6% GST (similar to sales tax or VAT).

In August 2014, Malaysia proposed to adopt the Codex Committee for Food Additives (CCFA) list of approved additives as a national regulation. While this is a positive step, the CCFA list includes few additives commonly used in the winemaking process. Because of the difficulty in making wine using only the CCFA additives, we are working with the U.S. and Malaysia governments to close this regulatory gap.

Malaysia’s participation in TPP and the APEC WRF will continue to be beneficial to U.S. winemakers. The elimination over time of import tariffs and the disciplines on TBT, IPR and SPS regulations will provide a more predictable environment for wine sales, particularly for small and medium sized wineries.

**MEXICO**

In 2014, U.S. wine exports to Mexico totaled USD 24 million, up 15.5% from 2013. Under NAFTA, the tariff rate on U.S. wine is 0%. Mexico imposes various other taxes, including a customs fee of .008% and a treasury tax stamp of USD 0.11%, paid on every bottle of alcoholic beverage sold. A special tax (IEPS) for alcohol beverages ranges from 25% to 53% depending on the alcohol volume. Beverages with alcohol content between 14% and 20% have an excise tax of 30%. For beverages with alcohol content less than 14%, an excise tax of 25% is applied. Mexico applies a 16% VAT on wine sales.

There are various non-tariff barriers to wine imports, including labeling requirements, importer registration in official importer databases, access only to specific customs facilities and additional identification markings on each product. Documents include a sanitary import notice (on company letterhead with the name of the product, quantity, name and address of the producer, name and address of the importer, the port of entry, and the applicable import tariff numbers). The letter should be addressed to the Secretaria de Salud (Ministry of Health) and include the NAFTA Certificate of Origin and a Certificate of Free Sale.

In addition, all importers of wine must have a license. Importers of beverage alcohol products must first register in the Registro Federal de Contribuyentes (Federal Taxpayers Registry or RFC), before commencing business. This process is to be completed with the Servicio de Administración Tributaria (SAT). Importers must subsequently enroll in the “Padrón de Importadores” (or Registry of Importers) and in the “Padrón de Importadores de Sectores Específicos” (Registry of Importers in Specific Sectors). For enrollment in the “Padrón de Importadores,” importers must apply online, at http://www.aduanas.gob.mx, filling out the application titled “Solicitud de Inscripción al Padrón de Importadores.” To complete this process, importers are required to have an advanced electronic signature issued by SAT and an active RFC. The importer must retain the services of a Customs broker or in-house Customs agent and register all of the Customs brokers that will clear shipments on their behalf. After enrollment, the importer should proceed to register
in the “Padrón de Importadores de Sectores Específicos” by filling out the SAT registration form as well as submitting company documents attesting to the company’s establishment (e.g. act of incorporation), a copy of the requestor’s ID, and a power of attorney, if applicable.¹⁶

NEW ZEALAND

U.S. wine exports in 2014 were USD 891,980, up 77% from 2013. New Zealand has a 5% ad valorem tariff on imported wine and a 15% VAT. Exporters must pay the Import Entry Transaction Fee (IETF) of NZD 24 (USD 15.20) and a bio-security risk-screening levy of NZD 15 (USD 9.50) for each shipment. New Zealand also collects NZD 46.89 (USD 29.69) upon clearance of the goods as well as any duty and/or GST payable. Additionally, there is an excise equivalent charged to the importer or wholesaler selling the product to the retailer. New Zealand applies NZD 2.8273 (USD 1.79) per liter tax for sparkling wine or wine of fresh grapes.

NIGERIA

In 2009, the U.S. exported USD 205,000 worth of wine to Nigeria; the figure reached USD 21.8 million in 2014, to become the 14th largest export market for U.S. wine. Due to government instability and corruption, tariff rates often fluctuate for wine and other alcoholic beverages entering the country. The wine tariff is 30% and the excise tax is 20%, both applied on CIF value. Other taxes and fees applied can increase the import burden to more than 80%. All imported food, wine and spirits products must register with NAFDAC (Nigeria’s FDA equivalent) to enter the market.¹⁷

NORWAY

U.S. wine sales totaled USD 4.2 million in 2014, remaining steady from the previous year. While not in the EU, Norway is part of the European Free Trade Association allowing EU wine producers to enjoy duty free entry into the market. A Norwegian government agency, Vinmonopolet, has the import and retail sales monopoly on alcoholic beverages. It has the political responsibility to keep alcohol consumption at moderate levels and to minimize alcohol related illness in Norway. The monopoly determines what wine and how much to import regardless of consumer demand.

Norway calculates excise tax based on alcohol content: If the percentage of alcohol is no more than 2.7% ABV, then NOK 3.19 (USD 0.47) per liter is applied; for 2.7% to 3.7% ABV wines the tax is NOK 11.99 (USD 1.75); for 3.7% to 4.7% ABV the tax is NOK 20.77 (USD 3.04); and for 4.7% to 22% the tax is NOK 4.64 (USD 0.68) % ABV/liter.

Beverage packaging requires an environmental excise tax. For cardboard containers, a fee of NOK 1.32 (USD 0.16) is applied on each unit of packaging. For all glass and metal, NOK 5.34 (USD 0.66) is applied on each package. There is a fee for disposable or non-returnable glass containers of NOK 1.06 (USD 0.13) for each unit of packaging. Reduced rates could be applicable for containers with recycled content. There is VAT of 25% added to wine imports, applied to CIF + duty.

PANAMA

In 2014, U.S. wine sales to Panama totaled USD 4.5 million, down 30% from 2013. The 2011 U.S.-Panama FTA provided that wine covered under the Harmonized Tariff Heading 2204.21.99 (“Other”) received the immediate elimination of applicable tariffs. There is a five-year phase out of all other wine tariffs. Sparkling wines have a 4% tariff; dessert wines a 6% tariff. The ITBM (VAT) is 10%. In 2015, Panama revised excise taxes on alcoholic beverages to USD 0.45 per % volume per liter of alcohol for all beverages.

PERU

The 2007 U.S.-Peru Trade Promotion Agreement eliminates tariffs and other barriers to goods and services between the two countries. In 2014, sales of U.S. wine were USD 371,061, down 30% from 2013. Wine exports to Peru are tariff free but are subject to a 6% VAT, a 2% municipal promotion tax, a 20% excise tax, a 16% general sales tax and an insurance fee of 1.75%.

¹⁶ http://www.ttb.gov/itd/mexico.shtml
¹⁷ http://www.ttb.gov/itd/nigeria.shtml
PHILIPPINES

In 2014, sales of U.S. wine totaled USD 8.6 million, down slightly from 2013. Wine imports are subject to a 7% tariff. Philippines applies excise taxes of PHP 32.45 (USD 0.70) per liter on still wines under 15% ABV and PHP 64.90 (USD 1.40) per liter to still wines 14% to 25% ABV. There is a VAT of 12% of Total Landed Cost and an additional Bureau of Internal Revenue Stamps of PHP 0.056 per primary packaging (bottle) and 0.75 per secondary packaging per shipment. This calculates to USD 0.18 for 12 bottles in a case.18

RUSSIA

In 2014, U.S. wine exports to Russia totaled USD 9.8 million. While California wine exporters have made inroads, challenges remain including competition from the highly subsidized EU wines dominating the market, the fall of the Ruble and the political environment in Russia affecting food imports.

In 2012, Russia joined the WTO allowing U.S. producers to benefit from WTO-related tariff reductions. All varieties of wine will see a decline in tariffs, from the current applied/post-accession bound rate of 20 to 12.5% by 2016. The current rate is 16.3%. Current average of AV duties for HS 2204 is 16.1%. The only exception is sparkling wine, which will see a decline by 2015. Table wines are charged with a tax of 8 RUR (USD 0.12) per liter and sparkling wines with RUR 25 (USD 0.38) per liter. An 18% VAT is added to all wines.

Russia did not follow the SPS Agreement or Codex Alimentarius guidelines when in August 2015 the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) announced that it detained three California wines. Rospotrebnadzor has yet to respond to a U.S. Embassy letter dated August 20, 2015 requesting further information such as the testing protocols used and the Russian regulatory references. To date, the products remain detained without explanation, in violation of Russia’s WTO obligations.

Russian wine regulations are a significant barrier for U.S. wine exporters. The definition of wine, the use of additives and processing aids and multiple testing and certification requirements pose restrictions and additional costs that will severely hamper the ability of small and medium sized wineries to export to Russia.

SINGAPORE

U.S. exports to Singapore in 2014 totaled USD 15.4 million, up 32% from 2013. Although the U.S. and Singapore signed a FTA in 2003 that required the “import duty” for wine to be 0%, Singapore did not lower independent taxes. Singapore claimed that the taxes were local taxes, applied to all beverage alcohol in Singapore, not an “import duty” and thus not subject to the FTA. Singapore taxes wine based on alcohol percentage at SGD 88 (USD 62.87) per liter of pure alcohol. This is in addition to a 7% GST based on CIF.

In addition, all new to market wines must submit to the Singapore import authorities a bottle for alcoholic strength testing. Wines that have previously been imported are not subject to the same testing requirement again.

SOUTH AFRICA

In 2014, U.S. wine exports to South Africa totaled USD 457,117. South Africa imposes an import duty of 25% on wine. The EU and South Africa have an agreement in which European wines no longer pay the duty, giving them a significant advantage. South Africa’s excise tax on imported wine ranges from ZAR 3.07 per liter for still wine to ZAR 9.75 (USD 0.23 - 0.73) for sparkling wine and the VAT is 14%.

SOUTH KOREA

U.S. wine exports in 2014 totaled USD 22 million, up 21% from 2013. South Korea has FTAs with Chile and the EU that have provided a competitive price advantage for Chilean and European wines. These FTAs resulted in a drop in the U.S.’s percentage of import market share from 2 percent in 2007 to less than 1 percent in 2012. The KORUS FTA, which eliminated duties on U.S. wine as of 2012, is facilitating an increase in U.S. exports to South Korea. Wine Institute applauds the U.S. government’s work on KORUS, as illustrating the type of action that will

remove barriers and increase exports.

South Korea’s taxes and tariffs on wine are complex; a 30% liquor tax and 10% education tax is added on the CIF value. South Korea multiplies that amount by 10% for VAT and adds 6% of CIF for handling fees.9 Local wine marketing companies offer web-based product databases that track information including the retail price of thousands of imported wines.

The South Korean government requires first time companies exporting wine to submit two bottles of each type of wine for testing. The significant increase in required food safety tests on imported wine has become an added barrier. The government does not accept test results from foreign laboratories. The current list of tests required on imported wine includes methanol, preservatives, ochatoxin A and lead. In addition, Customs requires a Korean label (sticker) on the imported wine, typically placed by the importer in the duty-free warehouse before reaching Customs.

**SWITZERLAND**

As part of the European Free Trade Association and surrounded by EU member states, Switzerland has adopted many EU wine regulations. As a result, U.S. winemakers find it similar to shipping into the EU. The U.S. exported USD 14 million in 2014 to the country.

Switzerland protects its winemaking industry over the years with high tariffs and quotas. There is a tariff-rated import quota of 1,700,000 hectoliters per year for red and white wines with HTS codes 2204.2121, 2131, 2141, and codes 2204.2921, 2922, 2931 and 2932. Wine imported under the quota is subject to a different tariff rate than wine imported out of the quota. Within the quota, Switzerland bases the tariff upon gross weight. Gross weight is comprised of the effective weight of the goods (net weight of wine), packaging, filling material and any supports on which the goods may be displayed (bottles and boxes). For bottled red and white wines holding 2 liters or less, the rate is CHF 50 (USD 51.62) per 100 kilograms gross. Outside the tariff quota, red and white wines in containers holding 2 liters or less face a duty rate of CHF 2.45 (USD 2.37) per liter for red wine, and CHF 3 (USD 3.14) per liter for white wine.

Switzerland does not have an import quota for sweet or sparkling wines. However, sparkling wines are subject to a duty rate of CHF 91 (USD 93.95) per 100 kilograms gross. Any sweet wines face a duty rate of CHF 25 (USD 25.81) for 100 kilograms gross. Imports are also a subject to an 8% VAT.

Wine imports must be accompanied by a certificate of origin and conform to Swiss winemaking practice requirements, which are nearly identical to the EU’s. The Health Ministry requires labeling of wine imports to include alcoholic strength, batch number and the name and address of the responsible person (producer, bottler, winemaker, etc.). For wines where an alcohol tax is due, the importer’s name must be on the label. Allergen labeling for wines containing sulfites is required. Labels must state, “contains sulfites” when the concentration exceeds 10 mg/l expressed in total SO2. Wine labels must also include GIs in line with that of the EU.

**TAIWAN**

In 2014, U.S. wine exports totaled USD 12 million, up 30% from 2013. Wine is subject to a 10% tariff, which is consistent with Taiwan’s WTO accession agreement. Sparkling wines and champagne are subject to a 20% tariff. There is also an alcohol tax of NTD 7 (USD 0.21) for every percentage of alcohol per liter. The VAT is 5% of the (CIF*10% wine tariff + alcohol vol. degree of NTD 7 - USD 0.21 - per degree) total. The Government monopoly controls a large percentage of the distribution channels.

**THAILAND**

In 2014, U.S. wine sales remained steady at USD 6 million. Wine from Australia and New Zealand enjoy significant advantages because of FTAs. In 2004, Thailand and the U.S. began negotiations on a FTA but it is delayed due to domestic political issues. The wine taxes consist of an import tariff rate of 54%, a local tax or municipality tax of 10% of excise tax value, a health tax of 2% of excise tax value, a Thai Public Broadcasting Service tax of 1.5% of excise tax value and a 7% VAT. There is an excise tax of THB 1000 per liter/per 100

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degrees of alcohol, or THB225 /liter (whichever is higher); wines over 15% ABV must pay THB 3 per liter/degree alcohol.

A Thai regulation that entered into force on October 19, 2015 severely restricts the content of wine labels, including prohibiting words such as “premium”, wine descriptions and drawings. As wine is a price-sensitive product, major changes such as those proposed by Thailand may cause a trade barrier. To create a label for each country adds to the production cost, and with small margins, producers may choose to abandon the market. We are currently working with importers, the U.S. and foreign governments to understand the true impact of this regulation.

**UNITED ARAB EMIRATES**

In 2014, U.S. wine sales to the UAE totaled USD 7.2 million, up almost 19% from 2013. The import tariff on wine is 50%, with a customs fee of AED 30 (USD 8.17). Dubai is the only emirate in the UAE that levies a sales tax of 50% on all alcoholic products sold in authorized retail stores and it is important to check with the importer regarding taxes in the other Emirates. The UAE only permits licensed companies to import and sell beverage alcohol. Advertising can only appear in English in magazines targeted to the ex-patriot community.

**VIETNAM**

U.S. wine exports to Vietnam totaled USD 19.3 million in 2014, nearly reaching a 50% increase from 2013. Currently, tariffs on wine are 50%. The taxes are aggregated on top of the tariff including a Special Consumption Tax of 25% applied to CIF + duty as well as the VAT of 10%. Vietnam is a party to the TPP negotiations, which may result in the eventual elimination of its wine tariffs. Unfortunately, Vietnam is also considering, as of the date of this report, new increases of the Special Consumption Tax (SCT): the SCT for wine containing less than 20% alcohol would increase to 35% from the current rate of 25%.

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