

13 December 2010

Russia FTA Submissions
Trade Negotiations Division
Ministry of Foreign Affairs and Trade
Private Bag 18901
Wellington

By email: catherine.graham@mfat.govt.nz

Dear Catherine

New Zealand - Russia-Belarus-Kazakhstan Free Trade Agreement (FTA)

About the submitter

The Distilled Spirits Association is the national trade organisation representing New Zealand's leading producers, brand owners, importers and exporters of premium spirits (e.g. Brandy, Whisky, Rum, Gin, Vodka) and spirit drinks.

The Association's members include: Anchor Ethanol Ltd, Bacardi Martini Asia Pacific Ltd, Beam Global (NZ) Ltd, Brown Forman Beverages Worldwide, Diageo (New Zealand) Ltd, EuroVintage Ltd, Federal*Geo Ltd, Hancocks Ltd, Lion Nathan Wines and Spirits Ltd, Moët Hennessy NZ Ltd, Pernod Ricard New Zealand Ltd, and The Rum Company (New Zealand) Ltd.

The Association supports an FTA with Russia

The Association welcomes the commencement of free trade agreement (FTA) negotiations between New Zealand, Russia and its customs union partners Belarus and Kazakhstan.

The distilled spirits sector

Our industry sector directly employs over 500 New Zealanders, contributes significantly to government revenues and generates a positive \$49million in annual exports. Our most important markets are Australia, North America and Asia.

Whilst the domestic industry is not currently exporting any spirits or spirituous beverages to Russia a completed FTA could materially change this situation and be potentially trade beneficial for New Zealand in the mid to long term. Specifically, we envisage the prospect of our exporters supplying high-end premium branded spirits and spirituous beverages to an increasingly discerning market which is demanding quality. New Zealand has a good record in this regard.

At a broader level the benefits to the New Zealand economy are increased employment opportunities in manufacture and packaging, and greater use of existing infrastructure investments, plant and equipment.

For the other side, Russian exports to New Zealand are principally HS 2208.60 Vodka. For the year ended October 2010 95,000 litres of alcohol of Vodka valued at NZD\$1.7million (CIF) entered our market.

The removal of tariffs under a FTA may create new trade within the New Zealand marketplace. This would of course depend on local demand for Russian produced beverages and their compliance with local technical rules, standards and processes.

Priorities for the Association in the negotiations is full tariff liberalisation between New Zealand and Russia - the elimination of import tariffs levied on New Zealand spirits entering Russia and as an equal action the elimination of the low but nuisance-value tariff placed on Russian-origin spirits entering New Zealand.

A further priority for the Association is for the FTA to ensure enhanced legal certainty, recognition and protection of intellectual property rights, especially with certain geographical indications for spirits.

In terms of specific outcomes the Association would like to see upon the FTA's entry into force, the immediate:

- Elimination of the 2 Euros per litre tariff barrier Russia levies on spirits and spirituous beverages entering the country
- Elimination of the current 5% ad valorem tariff barrier New Zealand levies on Russian white spirits (such as Vodka and Gin) and liqueur imports
- Explicit protection of intellectual property rights for respective and distinctive spirits with geographical indications

Conclusion

The Association supports the New Zealand Russia FTA.

A completed FTA has the potential to improve and add to a freer flow of trade, which would be beneficial for all spirit importers and exporters.

The Association looks forward to further discussion with negotiators about any of the information provided in our submission.

Yours sincerely

Thomas Chin
Chief Executive